

INFORMATION FOR PROSPECTIVE FRANCHISEES  
REQUIRED BY FEDERAL TRADE COMMISSION



FURNITURE MEDIC LIMITED PARTNERSHIP  
3839 Forest Hill-Irene Road  
Memphis, Tennessee 38125  
901-597-8600

TO PROTECT YOU, WE HAVE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVE NOT CHECKED IT AND DO NOT KNOW IF IT IS CORRECT. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DO NOT RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR SUCH AS A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT HAS BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

Federal Trade Commission

Washington, D.C. 20580

CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON AND WISCONSIN REQUIRE FRANCHISORS TO MAKE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. IF APPLICABLE, THESE ADDITIONAL DISCLOSURES WILL BE FURNISHED TO YOU IN AN ADDENDUM TO THIS OFFERING CIRCULAR.

IF THIS OFFERING CIRCULAR IS REGISTERED IN A STATE LISTED ABOVE, THE EFFECTIVE DATE OF THIS OFFERING WILL BE DISCLOSED IN THE ADDENDUM FOR THAT STATE.

IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL TRADE COMMISSION, THIS OFFERING CIRCULAR WAS ISSUED ON ~~January 17, 2006~~ March 31, 2006.



## FRANCHISE OFFERING CIRCULAR

### FURNITURE MEDIC LIMITED PARTNERSHIP

3839 Forest Hill-Irene Road

Memphis, Tennessee 38125

901-597-8600

[www.furnituremedicfranchise.com](http://www.furnituremedicfranchise.com)

901-597-8600

The Franchisee will conduct a furniture restoration, repair and refinishing business.

The initial franchise fee is \$24,500. You must pay the initial franchise fee and the Opening Package fee of \$12,500 plus shipping, handling and sales tax, which we estimate to be no more than \$1,500 depending on where you are located, before you open your business. (See Item 5 for details). The estimated initial investment ranges from \$17,105 to \$81,894 (depending on your choice of financing) which includes the Opening Package (but does not include shipping, handling and sales tax for the Opening Package) (See Item 7 and 10 for details).

#### Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES ANY DISPUTE YOU MAY HAVE WITH US TO BE RESOLVED BY ARBITRATION IN TENNESSEE. BECAUSE THE FRANCHISE AGREEMENT MAKES TENNESSEE THE ONLY STATE WHOSE LAWS, JURISDICTION AND VENUE (PLACE OF DISPUTE RESOLUTION) ARE APPLICABLE TO DISPUTES, THIS MAY ADD TO YOUR COST OF OBTAINING A REMEDY AND MAY MOTIVATE YOU TO ACCEPT A LOWER SETTLEMENT THAN YOU MIGHT OTHERWISE ACCEPT. IT ALSO MAY DEPRIVE YOU OF CERTAIN RIGHTS CREATED BY THE LAWS OF YOUR STATE. SOME STATE LAWS MAY SUPERSEDE THE PROVISION IN THE FRANCHISE AGREEMENT WHICH REQUIRES FRANCHISEES TO SUE IN TENNESSEE. PLEASE SEE ANY STATE-SPECIFIC ADDENDUM ATTACHED TO THIS OFFERING CIRCULAR FOR MORE DETAILS.
2. LOCAL CONTRACTOR LAWS MAY REQUIRE FURNITURE MEDIC FRANCHISEES TO OBTAIN SPECIAL LICENSES. PLEASE CONTACT YOUR STATE OR LOCAL GOVERNMENT LICENSE AGENCIES OR A LAWYER FAMILIAR WITH YOUR STATE'S REQUIREMENTS FOR FURTHER INFORMATION ON THIS.
- ~~2. LOCAL CONTRACTOR LAWS MAY REQUIRE FURNITURE MEDIC FRANCHISEES TO OBTAIN SPECIAL LICENSES. PLEASE CONTACT YOUR STATE OR LOCAL GOVERNMENT LICENSE AGENCIES OR A LAWYER FAMILIAR WITH YOUR STATE'S REQUIREMENTS FOR FURTHER INFORMATION ON THIS.~~
3. THERE MAY BE ZONING OR OTHER RESTRICTIONS WHICH AFFECT YOUR ABILITY TO CONDUCT THE FRANCHISED BUSINESS FROM YOUR HOME. PLEASE CONTACT YOUR STATE OR LOCAL GOVERNMENT LICENSE AGENCIES OR A LAWYER FAMILIAR WITH YOUR STATE'S REQUIREMENTS FOR FURTHER INFORMATION ON THIS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in the offering circular is untrue, contact the Federal Trade Commission or the applicable state administrator listed in Exhibit A.

|

Effective Date:

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- Also enclosed is a State Addendum if applicable

## ITEM 1

### **THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES**

#### The Franchisor

To simplify the language in this offering circular, "Furniture Medic," "FM" or "we" means Furniture Medic Limited Partnership, the Franchisor. "You" means the person(s), partnership, corporation, limited liability company or other legal personality who buys the franchise. Furniture Medic is a Delaware limited partnership. Its general partner is FM Medic L.L.C., a Delaware ~~limited liability company~~ corporation. We filed our certificate of limited partnership on July 10, 1996. Our address is 3839 Forest Hill-Irene Road, Memphis, Tennessee 38125. Our previous address was 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. We do business only as Furniture Medic.

Exhibit B lists our agent for service of process in your state.

We offer franchises in the furniture, fixtures and wood restoration, repair and refinishing business. Currently, we do not operate any Furniture Medic businesses of the kind being offered in this offering circular. Our franchises are available to qualified individuals, corporations and partnerships who desire to operate a franchised business as described in this offering circular using the Furniture Medic name and system.

Furniture Medic knows of no general industry specific regulations that would govern the operation of your Franchised Business. In the state of California, a C-6 Cabinet and Millwork license is required to work on permanent wood fixtures. There may be a similar requirement in your state. You may also be required to maintain an upholsterer's license. Local contractor laws may require FM franchises to obtain special licenses. Because services are often performed in the home, your local agencies may require additional licensing. You will be responsible for contacting your local and state government agencies regarding restrictions and the proper licensing of the operation of the Franchised Business.

#### Business History

Furniture Medic, Inc. was established as a Georgia corporation in August 1992, with corporate offices located at 277 Southfield Parkway, Suite 130, Forest Park, Georgia 30050. Furniture Medic, the Franchisor, and its predecessor began offering franchises in December 1992. Furniture Medic, Inc. and Furniture Medic, the Franchisor, have never offered franchises in any other line of business. On July 15, 1996, ServiceMaster Limited Partnership ("SMLP"), then a publicly traded Delaware limited partnership, acquired the assets of the business formerly known as Furniture Medic, Inc. Our parent company, SMLP, converted to corporate form on December 26, 1997. The successor corporation is named The ServiceMaster Company ("SMC") and is a Delaware corporation. SMC is located at 3250 Lacey Road, Suite 600, Downers Grove, IL 60515. Their former address was 2300 Warrenville Road, Downers Grove, Illinois 60615. Immediately after its acquisition, SMLP assigned the assets of Furniture Medic, Inc. to ServiceMaster Consumer Services ("ServiceMaster" or "Consumer Services"), a Delaware limited partnership formed in 1990, which in turn, transferred the acquired assets to Furniture Medic Limited Partnership, the Franchisor. ServiceMaster held 99% of and the General Partner, Furniture Medic, Inc. held 1% of the shares of Furniture Medic L. P. and is located at 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. FM Medic L.L.C. was incorporated in the state of Delaware on November 22, 2002, and on December 31, 2002, became the managing general partner of FM. The address for FM Medic L.L.C. is 3839 Forest Hill-Irene Road, Memphis, Tennessee 38125. FM Medic L.L.C. has never offered franchises.

## Affiliates

(1) ServiceMaster Residential/Commercial Services Limited Partnership d/b/a ServiceMaster Clean ("Res/Com") is a franchisor of cleaning franchises. Res/Com's cleaning franchises offer heavy-duty disaster cleaning for homes, and businesses, and office and residential cleaning. Res/Com is a subsidiary of ServiceMaster. Res/Com's address is 3839 Forest Hill-Irene Road, Memphis, Tennessee 38125 and its shares office and training facilities with Furniture Medic. Res/Com was formerly located at 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. Currently, Res/Com has approximately 4,700 franchises operating worldwide. Res/Com and its predecessors have been offering heavy-duty cleaning franchises since 1948. Neither Res/Com nor its predecessors have ever offered franchises for other businesses except for a period from late 1996 through mid 1998 when it offered and sold approximately 14 franchises in home companionship under the name ServiceMaster Caring Companions.

(2) Merry Maids Limited Partnership ("Merry Maids"), a Delaware limited partnership, franchises residential house cleaning businesses. The address for Merry Maids is 3839 Forest Hill-Irene Road, Memphis, Tennessee 38125. Merry Maids was formerly located at 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. Merry Maids is also a subsidiary of Consumer Services. Merry Maids currently has ~~1,274~~ 773 franchises operating worldwide and operates 145 branch residential cleaning businesses, two of which are located in Memphis, Tennessee and Omaha, Nebraska. Merry Maids and its predecessors began business and started offering franchises in 1980. Neither Merry Maids nor its predecessors have ever offered franchises for other unrelated businesses.

(3) The Terminix International Company Limited Partnership, a Delaware limited partnership, is a franchising/operating company which offers franchises for and operates termite and pest control services in and around residential homes and commercial buildings. It is also a subsidiary of Consumer Services. The address for Terminix is 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. Terminix currently has 106 franchise locations and operates 347 company-owned service offices. Terminix and its predecessors have granted franchises for termite and pest control since 1927. Terminix stopped licensing new franchises in the mid 1970's, but began selling franchises again in 1992. Neither Terminix nor its predecessors have ever offered franchises for other businesses.

(4) TruGreen Limited Partnership ("TruGreen"), a Delaware limited partnership, is a franchising/operating company operating as TruGreen ChemLawn which offers franchises for and operates commercial and residential lawn care services including landscaping, lawn care and maintenance, and tree and shrub care and maintenance, all utilizing chemical and/or non-chemical methods. Since 1996, TruGreen also distributes fertilizer and other lawncare products to retail outlets across the United States. It is also a subsidiary of Consumer Services. The address for TruGreen is 860 Ridge Lake Boulevard, Memphis, TN 38120. TruGreen began business in 1974, but never offered franchises before 1994. In May of 1992, TruGreen acquired the ChemLawn lawn care business from Ecolab, Inc. ChemLawn began business in 1969 and began offering lawn care franchises in 1977. TruGreen currently operates 220 company-owned branches under the "TruGreen ChemLawn" tradename, ~~47~~ 46 franchisees operate under the "TruGreen ChemLawn" tradename and ~~44~~ 13 franchisees operate under the "ServiceMaster LawnCare" tradename. Neither TruGreen nor its predecessors have ever offered franchises for other unrelated businesses. TruGreen, Inc., the general partner of TruGreen, and TruGreen Companies L.L.C. currently owns 100% of TruGreen.

(5) American Home Shield Corporation ("American Home Shield"), a Delaware corporation, is a leading provider of home service warranty contracts in the United States. It provides homeowners with contracts covering the repair or replacement of built-in appliances, hot water heaters, electrical wiring, plumbing, central heating, and central air conditioning systems that malfunction by reason of normal wear and tear. American Home Shield is a subsidiary of ServiceMaster Holding Company. American Home Shield's address is 860

Ridge Lake Blvd., Memphis, Tennessee 38120 but its physical address is 889 Ridge Lake Boulevard, Memphis, Tennessee 38120. American Home Shield has been operating since 1971 but has never offered franchises. However, in February 1996, it purchased AmeriSpec, Inc., a leading franchisor of home inspection services, which operates 389 franchises throughout the United States and Canada. AmeriSpec's franchisees provide property inspection, carbon monoxide and radon testing, water analysis, energy assessment, termite inspection, and a variety of ancillary services to homebuyers, home sellers, homeowners, and real estate professionals. AmeriSpec's address is ~~860 Ridge Lake Boulevard, Memphis, Tennessee 38120~~ however its office is physically located at 889 Ridge Lake Boulevard, Memphis, Tennessee 38120. Its former address was 1855 Katella Avenue, Suite 330, Orange, California 92667. AmeriSpec began offering franchises in 1988 and has never offered franchises for other unrelated businesses.

(6) The ServiceMaster Acceptance Company Limited Partnership ("SMAC") is a wholly owned financing subsidiary of SMC. SMAC offers financing to franchisees, as described in Item 10 of this offering circular. SMAC is located at 3250 Lacey Road, Suite 600, Downers Grove, IL 60515 but was formerly located at 2300 Warrenville Road, Downers Grove, Illinois 606515.

(7) Furniture Medic, along with its affiliated companies, participates in an internal program operated by ServiceMaster Brands Management LLC, a ServiceMaster affiliated Delaware Limited Liability Company ("SBM"). The principal address for SBM is 3250 Lacey Road, Suite 600, Downers Grove, Illinois 60515. SBM provides customers with one resource for all their home services and maintenance needs through the 1-888-WE SERVE telephone number and ServiceMaster.com website. The operators at 1-888-WE SERVE and ServiceMaster.com direct customer calls to our ServiceMaster affiliated companies and charge a referral fee.

(8) InStar Services Group Limited Partnership ("InStar"), a Delaware limited partnership, is a subsidiary of ServiceMaster Holding Corporation, a Delaware corporation. InStar, acquired by SMC in March 2006, offers commercial disaster restoration and reconstruction services through 20 company-owned offices covering 28 states in the Southeast, Southwest, Mid-Atlantic and Northeast Regions of the United States and has the ability to mobilize a work force and manage projects nationwide. In the delivery of services to customers, InStar will handle the work directly or in combination with Res/Com franchises. InStar's offices are at 7439 Pebble Drive, Fort Worth, Texas 76118.

### The Franchise Offered

We sell furniture, fixtures and wood restoration, repair and refinishing franchise service business (the "Franchised Business"). Each Franchised Business includes the right to use our name, service marks and business methods (the "License") in a non-exclusive Territory ("Territory"). You will be provided training and assistance in marketing, sales, advertising, product selection, operational procedures, and financial administration. You are encouraged to use your home as a base of operation for your Franchised Business until a level of business will support an outside office and warehouse space. As the owner of the Franchised Business, you will operate one (or more) service vehicles, in addition to a fixed location furniture restoration service, that displays Furniture Medic's logo and your phone number. These services (the "Franchised Services") may be marketed to hotels, homeowners, moving companies, antique dealers, furniture rental companies, insurance companies and others whose responsibilities include residential and commercial property management and maintenance. As a franchisee, generally you will compete with independent furniture refinishing businesses and other national franchise organizations.

FM has entered into agreements with several national customers who have access to consumers (hereinafter referred to as "National Accounts Program") whereby customers of National Accounts wanting furniture restoration, repair and refinishing services are referred to FM which in turn, allocates these sales leads ("Sales Leads") to franchisees. You will participate in the National Accounts Program, and -you must adhere to the terms and conditions set out in the National Account Agreements when you supply services for a National Account customer. You have the option of declining a Sales Lead call from a National Account, but you must refer the call back to FM.

If you purchase an FM franchise or are renewing an existing FM franchise license and meet our standards for participating as published by FM from time to time, you may choose to participate in our optional Quality Furniture Restoration Program ("QFR Program"). Under the QFR Program, which FM has been offering since 2005, FM certifies franchise owners who have met the QFR standards as set forth in the QFR Program Certification Application (Exhibit M attached hereto) as published from time to time on fmsupport.com. This certification allows QFR franchises to receive leads for furniture repair and restoration through Res/Com's in-house call center 1-800-RESPOND. Some insurance carriers which utilize the QFR network may have individual performance guidelines which the QFR franchise must agree to meet in order to be eligible for their referrals.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

Chairman of the Board and Chief Executive Officer of The ServiceMaster Company: Jonathan Ward

In ~~April 2002~~ February, 2001, Mr. Ward was named Chairman of the Board and Chief Executive Officer of The ServiceMaster Company. Prior to that ~~he~~ He served as President and Chief Executive Officer of The ServiceMaster Company beginning ~~in~~ from February of 2001 to April 2001. Prior to joining ServiceMaster, Mr. Ward was President and Chief Operating Officer for R.R. Donnelley, a commercial printer, in Chicago, Illinois, a position he held since 1997. Before his appointment as their President and Chief Operating Officer, Mr. Ward served in a variety of positions with R.R. Donnelley during his 23 years with the company R. R. Donnelley.

President and Chief Financial Officer of The ServiceMaster Company: Ernie J. Mrozek

In January 2004, Mr. Mrozek was named Chief Financial Office of The ServiceMaster Company. Prior to that, ~~he~~ He served as President and Chief Operating Officer of The ServiceMaster Company beginning in April of 2002. ~~On January 1, 1997,~~ Since January 2003 Mr. Mrozek has been Vice President of MM Maids, LLC. Mr. Morzek served ~~joined Consumer Services~~ as President and Chief Operating Officer of Consumer Services beginning January 1997. ~~Mr. Mrozek He joined SMC in 1987, and most recently served as its Senior Vice President and Chief Financial Officer.~~

Group President, The ServiceMaster Company: Scott Cromie

On March 1, 2006, Mr. Cromie was promoted to Group President of The ServiceMaster Company and Executive Vice President of American Home Shield, AmeriSpec, Merry Maids, FM, Res/Com, and InStar Services Group and remains Chief Executive Officer of American Home Shield. Prior to this, he was President of AmeriSpec from January 2005 to February 2006 and also from February 2, 1996, through April 1997. He served as Director of AmeriSpec since February 1996. Mr. Cromie serves as President and Chief Operating Officer of American Home Shield from October 1996 to March 2006 and as Director from June 2000. Mr. Cromie joined American Home Shield as Controllor in 1986.

Senior Vice President: Mark Lightfoot

On March 1, 2006, Mr. Lightfoot was named Senior Vice President of FM as well as Res/Com, Merry Maids, AmeriSpec, American Home Shield and InStar. From September 1896 to the present, he has been Vice President, General Counsel and Secretary of American Home Shield. He is also Secretary and a Director of



AmeriSpec since February 1996. In May 2003, Mr. Lightfoot was named General Counsel for AmeriSpec and in May 2002, he was named Senior Vice President of American Home Shield.

President: Michael M. Isakson

Mr. Isakson became our President in August 1999. Mr. Isakson has served as our Vice-President and Director since July 15, 1996. He is also President and Chief Operating Officer of Res/Com and has been since the fall of 1994. Mr. Isakson was President and Chief Operating Officer of Merry Maids, a position he accepted on January 1, 1992 and continued to serve in until September 1, 1998. Effective in March of 1999, Mr. Isakson was elected to the Board of Directors of the International Franchise Association ("IFA") and is also Secretary elect First Vice Chairman of that organization.

Vice President and General Manager: Brent Armstrong

In July 2005, Mr. Armstrong was appointed Vice President of Furniture Medic and Vice President Residential Services of ~~Res/Com ServiceMaster Clean~~. ~~Res/Com ServiceMaster Clean~~ is an affiliate of FM. In September 2001 he joined the SM Clean Home Office as Director of Residential Services. From November 1992 until joining the Home Office, he owned several ServiceMaster Clean and Merry Maids businesses in the Chicago, Illinois, and Buffalo, New York, areas.

Senior Vice President: Douglas E. Pound

Mr. Pound was appointed our Senior Vice President in August 1999. Mr. Pound is also Senior Vice President of Res/Com. Prior to joining Res/Com on July 1, 1995, he was Vice President of Professional Consumer Services, a Res/Com distributor in Southern California, for over sixteen years.

Vice President of Market Expansion: David D. Messenger

Mr. Messenger was appointed Vice President of Market Expansion in May 2000. He is also Vice President of Market Expansion for Res/Com. Mr. Messenger joined ServiceMaster in 1991 as Vice President, Franchise Market Development for ServiceMaster of Canada Limited.

Vice President and Director: Lawrence Mariano

Mr. Mariano became our Treasurer on January 6, 2003. Prior to this he was Vice President and ~~Director~~Treasurer of the predecessor general partner from July 15, 1996 to June 1, 2002. He also serves as Senior Vice President, ~~Secretary and Controller~~ for ServiceMaster Consumer Services, a position he has held since July 1995. He has also served as Secretary (from July 1995 to June 2001) and Controller (from August 1994 to June 2005) of ServiceMaster Consumer Services. Mr. Mariano joined ServiceMaster in August 1989 as its Vice President and Controller. Since In June 1994 December 1991, he was also appointedhas served as -Vice President of TruGreen.

Vice President and Chief Marketing Officer for Franchise Services: James C. Wassell

Mr. Wassell became Chief Marketing Officer in October of 2002. Mr. Wassell became Vice President of Marketing and Communications on July 15, 1996. From 1992 to May 1996, Mr. Wassell served as Vice President of our affiliate, AHS, and oversaw the development of their Call Center, inspection services and purchase of AmeriSpec. He joined Res/Com on May 1, 1996 as Vice President of Marketing and Communications.

Vice President, Secretary and General Counsel: Andrew D. Bratzel

In February 2004, Mr. Bratzel became our Vice President and Secretary and also serves as our General Counsel. He is also Vice President and Senior International Counsel of our parent, The ServiceMaster Company, located in Downers Grove, Illinois. Mr. Bratzel was with The ServiceMaster Company in its Management Services business, also located in Chicago, Illinois, beginning in July, 1989. He served as Vice President and Senior Counsel at the ServiceMaster parent before becoming Vice President and Senior International Counsel in September 2000.

Director of Training and Product Development: Robert Harrold

~~Mr. Harrold became our Director of Training and Product Development on February 1, 2001. Prior to joining the home office, Mr. Harrold owned a Furniture Medic franchise in Oconomowoc, Wisconsin, for eight years. Before owning his Furniture Medic franchise, Mr. Harrold taught Technology Education at Oconomowoc High School. Mr. Harrold plans to retire August 31, 2005.~~

Director, Franchise Operations: Mark Porada

In June, 2004, Mr. Porada became our Director, Franchise Operations. From November, 2002, to June, 2004, he was our Business Development Manager, and from February, 2001, to October, 2002, Mr. Porada was a Franchise Lead Qualifier for Furniture Medic and ServiceMaster Clean.

Senior Market Expansion Manager: Christopher Beck

Mr. Beck joined Furniture Medic as a Market Expansion Manager on July 15, 1996, after serving Furniture Medic, Inc. as a franchise counselor from September of 1993.

Market Expansion Manager: Joseph F. Sloyan

From 1988 until 1993, Mr. Sloyan owned a ServiceMaster franchise. On January 30, 1987, Mr. Sloyan joined Res/Com in the capacity of Market Expansion Manager.

Market Expansion Manager: Russell Phillips

Mr. Phillips became a Res/Com Market Expansion Manager on February 7, 2000. Prior to that he served as a Market Expansion Manager for Furniture Medic, a position he began in March 1999. From June 1998 through March 1999, before joining Furniture Medic he was Vice President of Memphis Operation for O.J.'s Services II, a Little Rock, Arkansas company. He was the owner and operator of The Woman's Touch cleaning service in Memphis, Tennessee from 1984 through 1998.

Market Expansion Manager: Brian K. Vaughan

Mr. Vaughan became a Res/Com Market Expansion Manager in November of 2001. From June 22, 2001 to August 27, 2001, Mr. Vaughan was employed as an Operations Facilitator by ptc-NET INC., a contract vendor management company located in Atlanta Georgia. From May 1, 2000, until June 22, 2001, he was employed as Director of Marketing/Human Resources/Information Systems for ServiceMaster Disaster Restoration Services in Redwood City, California. From February 1998 until April, 2000 he served as National Accounts Manager for ServiceMaster Residential/Commercial Services in Memphis, Tennessee. Prior to that he owned and operated his own business, Vaughan's Marketing Service, in Petaluma, California.

In January, 2006, we entered into an agreement with Sunbelt Business Advisors Network, LLC ("Sunbelt"), headquartered in St. Paul, Minnesota, to refer franchise owner prospects to us. See Exhibit L for specific

information and personnel associated with Sunbelt. FM will determine to whom a franchise is offered. We will pay a referral fee to Sunbelt upon execution and approval of a Franchise Agreement awarded to a Sunbelt referral.

In March, 2006, FM entered into an agreement with Business Alliance, Inc. ("BAI"), headquartered at 100 Hartsfield Centre Parkway, Suite 500, Atlanta, Georgia 30353, to refer franchise owner prospects to us. See Exhibit L for specific information and personnel associated with BAI. FM will determine to whom a franchise is offered. We will pay a referral fee to BAI upon execution and approval of a Franchise Agreement awarded to a BAI referral.

From time to time, our franchisees may choose to speak of their franchise experience at various franchise functions not sponsored by us. We do not pay our franchisees for their time; however, we may choose to reimburse them for their travel and other expenses. The franchise referral program makes awards to franchisees or employees of ServiceMaster or one of its affiliates ranging in value from ~~\$1,500~~200 to \$2,700 based on receiving referral leads and the resulting purchase of a franchise license.

~~Sunbelt, Inc.,~~

~~In January, 2006, we entered into an agreement with Sunbelt, Inc., headquartered in \_\_\_\_\_, to refer franchise owner prospects to us. See Exhibit L for specific information and personnel associated with Sunbelt. Furniture Medic will determine to whom a franchise is offered. We will pay a referral fee to Sunbelt upon execution and approval of a Franchise Agreement awarded to a Sunbelt referral.~~

### ITEM 3

#### LITIGATION

Mark A. Williams vs. Furniture Medic, Inc. and ServiceMaster Acceptance Company: Case No. 20030807

This action was filed in ~~February 2004~~November 13, 2003, in the Court of Common Pleas, Brown County, Ohio by Mark Williams, a current Furniture Medic franchisee located in Fayetteville, Ohio. After operating his Furniture Medic franchise for approximately four years, in October 1999 Williams took advantage of a special opportunity offered by Furniture Medic to acquire two additional franchise territories, one in Kentucky and one in Ohio. The offer included special financing from ServiceMaster Acceptance Company ("SMAC") and deferred franchise fees and loan payments for a period of 15 months. ~~Williams took advantage of the offer and purchased additional franchise locations in Kentucky and Ohio in October 1999.~~ In the fall of 20022001, Williams ~~became dissatisfied with his additional franchise territories and indicated a desire~~he wanted to terminate the two new Agreements in order to focus his attention on his original Furniture Medic franchise location. On June 28, 2002, Furniture Medic allowed Williams to terminate the two new Agreements. Thereafter, SMAC pursued collection on the \$24,000 Promissory Note that Williams signed in order to purchase the two new franchise territories. In response, Williams initiated this action against Furniture Medic and SMAC alleging that Furniture Medic did not comply with the Ohio Business Opportunities Act by failing ~~not~~to make proper disclosure and by failing to provide Notice of Right of Cancellation. Williams also alleged that the two new Franchise Agreements were ineffectual because he did not sign the Agreements and return them to Furniture Medic. Williams is ~~demanding~~demanding the return of his original down payment of \$8,790, FM US 43/2006

rescission of the Promissory Note he signed with SMAC, and three times actual damages or \$10,000, whichever is greater. On January 24, 2004, Furniture Medic has filed an Answer to the Complaint and has moved Joint Motion to Dismiss the Complaint and Compel Arbitration under the terms of the Franchise Agreements between the parties. The Court has not ruled on Furniture Medic's motion. The case is in the pretrial stage at the time of this Offering Circular. The parties mediated the case on September 28, 2005; Williams paid Furniture Medic \$8,790 and dismissed Furniture Medic from the case on September 20, 2005.

Other than this one action, no litigation is required to be disclosed in this offering circular.

#### **ITEM 4**

#### **BANKRUPTCY**

No persons previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

#### **ITEM 5**

#### **INITIAL FRANCHISE FEE**

The Initial Franchise Fee is \$24,500 and covers one nonexclusive License. We treat each License purchased as a single franchise with its own Franchise Agreement. Furniture Medic will grant a nonexclusive License only in a Territory having a population of at least 100,000 unless otherwise agreed to by you and us and consists of one (or more) counties, parishes or other like geographic designations. Furniture Medic uses the current United States Census Bureau figures to determine population estimates that we believe to be accurate and reliable.

Furniture Medic currently offers its franchisees in good standing the ability to buy an additional franchise and its ServiceMaster affiliates and their employees a new license both for 80% of the then current price. At any given time Furniture Medic may also offer incentives of cash, equipment, materials, supplies or related items as an inducement to prospective franchisees which could be worth up to \$1,500 per incentive. The availability of each incentive may be subject to a time limit. FM has the right to offer, change, modify, or cancel incentives at any time. FM also offers a minority or military discount of 10% off the initial franchise fee. A minority means any individual who is a citizen of the United States and who is African American, Hispanic, Native American, Asian or other similar minority race designation. The military discount is available to individuals honorably discharged from The United States Armed Forces.

Besides paying the Initial Franchise Fee, you must have an auto/voice fax machine and one (1) Opening Package per License that includes supplies and equipment. The Opening Package is purchased from us at a cost to you of \$12,500 plus any shipping, handling and applicable sales tax due. The shipping, handling and sales tax charges are estimated at \$1,500 but could vary depending on your location. The contents of the Opening Package are listed in Exhibit C and include the right to perform the following services: Precision Repair, Moving Claims Repair, French Polishing, Magic Strip with Flow-over System, Restoration Refinishing, Motion Furniture Repair, Upholstery Repair; Polyester Repair and Recaning.

~~Not included in the Opening Package but available to Franchisees after completion of training on an optional basis and at an additional charge are various Kits to expand your Franchised Services. These Kits are Leather and Vinyl Repair (Price: \$526.00) and Specialty Finish (Price: \$295.00). Additional training may be required to become certified in providing some of these services. The content of each of the Kits and charges for each are listed in Exhibit C-1.~~

You must pay the Initial Franchise Fee and the cost of the Opening Package (attached as Exhibit C) which covers a nonexclusive License for a Territory when you sign the franchise agreement. There are no refunds under any circumstances with the exception of a refund of \$1,000 which will only be refunded to you if you attend our next National Convention occurring after you execute the Agreement if this is the purchase of a new license or transfer of an existing license. All fees payable to us are due in full when you sign the franchise agreement. Financing for the Initial Franchise Fee and Opening Package may be available to qualified individuals through our financing affiliate, SMAC. (See Item 7 and 10 for details).

A FM franchisee in good standing may purchase a license to add an adjacent territory to its existing territory if adjacent territory is available and if approved by FM. The license fee is discounted by 20% since this is an existing franchise purchasing another franchise license. As an existing franchise business, no additional training is required, no additional hardware and software is required to be purchased, no deposit for convention is required, nor an additional Opening Package purchase is required. The price can be further reduced by meeting consecutive Customer Level Revenue ("CLR") Goals in the new adjacent territory through the new franchise agreement, as shown in the table below. **NOTE: FM makes no claim or promise that any territory or adjacent territory will provide your franchise business the additional revenue to attain these CLR goals. While achievement of such benchmarks is a condition of the rebate, there is no assurance you will attain these goals. If you do not attain these goals, you will not receive the rebate.** Should a franchisee prematurely decide to leave this adjacent territory for any reason, the franchisee will not be entitled to keep the special rebate through this offering or transfer the special rebate offering to another territory or franchise owner.

| FRANCHISEE OBLIGATIONS   | DISCOUNT AND GOALS  | FRANCHISE FEE AND REBATES   |
|--|---|---|
| Franchisee must be in good standing; adjacent territory must be available; and FM must approve | 20% of current Initial Franchise Fee (20% of \$24,500)          | \$19,600<br>(due with signed franchise agreement for new territory) |
| Franchisee must meet Year One Revenue Goal in New Territory                                    | Year One:<br>\$50,000 Customer Level Revenue in new territory   | Rebate*: \$3,000  |
| Franchisee must meet Year Two Revenue Goal in New Territory                                    | Year Two:<br>\$70,000 Customer Level Revenue in new territory   | Rebate*: \$3,000  |
| Franchisee must meet Year Three Revenue Goal in New Territory                                  | Year Three:<br>\$90,000 Customer Level Revenue in new territory | Rebate*: \$3,000  |

\*The FM Franchisee must meet the CLR goals for each consecutive year to be eligible to receive the applicable year's rebate and to have the opportunity to qualify for next year's rebate. If the CLR goal for year one is missed, the franchisee loses the rebate for Year One and the opportunity to qualify for Year Two and Year Three rebates. Likewise, if the franchise attains the CLR goal for Year One and then misses Year Two CLR goal, the franchisee loses the opportunity to qualify for Year Three rebate.

#### Conversion Franchise Initial Franchise Fee

We currently offer business owners the opportunity to convert their existing similar type business to a Furniture Medic franchise as offered in this offering circular. The minimum guidelines for such conversions are as follows:

| CURRENT ANNUAL REVENUE LEVEL | DISCOUNT                                  | INITIAL FRANCHISE FEE |
|------------------------------|---|-----------------------|
| \$100,000 - \$250,000        | 25% off initial franchise fee of \$24,500 | \$18,375              |
| \$250,001 - \$400,000        | 50% off initial franchise fee of \$24,500 | \$12,250              |
| Over \$400,000               | 75% off initial franchise fee of \$24,500 | \$6,125               |

For the Conversion Franchisee, at any given time, Furniture Medic may also offer incentives of materials, supplies or related items or services as an inducement to prospective franchisees to purchase a franchise within a 60-day time frame. These incentives may be worth up to approximately \$1,500 each. The availability of each incentive may be subject to a time limit.

With the purchase of a Conversion Franchise, the Royalty fee under the Franchise Agreement on the level of existing revenue that is brought into the Furniture Medic system, is not paid on the full amount but is phased in at our discretion using percentage increments up to a maximum of a 36-month period.

With the purchase of a Conversion Franchise, you must purchase the Opening Package which will include Furniture Medic equipment, products and supplies. The Opening Package cost is \$12,500 plus sales tax, shipping and handling, which is estimated to be approximately \$1,500. However, you may receive credit for equipment listed in Exhibit C which you may already have that meets our standards.

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# ITEM 6

## OTHER FEES<sup>1</sup>

| Name of Fee               | Amount  | Due Date   | Remarks  |
|---------------------------|---|--|--|
| Royalty Fee               | <p>The larger of \$250 per month or:<br/>7% Gross Sales -<br/>5% Gross Sales over \$500,000 annually.</p> <p>Royalty Fees will be paid at 2% or \$250 (if all combined fees fall below the minimum) whichever is greater on certain Identified Non-Core services. The Identified Non-Core services are: Reupholstery, Furniture Manufacturing, Cabinet Manufacturing, Furniture Parts Fabrication, Construction and Carpentry Services, and Hardwood Flooring Installation.</p> <p>Should the minimum monthly Royalty fee be the larger of the two fee amounts during the first 90 days after completion of training, Franchisee pays a Royalty Fee based only on actual Gross Sales.</p> <p>Once Gross Sales exceed \$500,000 in a calendar year, the Royalty Fee is reduced to 5% thereafter for the remainder of the calendar year. This initial minimum fee waiver applies only to new sales</p> <p>Conversion Franchise Royalty Fee is the same rate as a new sale and based on the existing revenue that is brought into the FM system.</p> | <p>The service fee must be postmarked by the 9th day of the month following the month in which Gross Sales are made.</p> <p>Phased in at FM's discretion using percentage increments up to a maximum of a 36-month period.</p> | <p>"Gross Sales" means the total of sales invoices or other items billed to your customer, less any bad debts, credits, sales tax or other restatement of revenue allowed to the customer.</p> |
| National Advertising Fund | <p>The greater of \$50.00 per month or 1% of Gross Sales. Should the minimum monthly fee be the larger of the two fee amounts during the first 90 days after completion of training, Franchisee pays a fee based only on actual Gross Sales.</p>  | <p>The fee must be postmarked by the 9<sup>th</sup> day of the month following the month in which Gross Sales are made.</p>  | <p>Fees are due on all Gross Sales made from the last day of training.</p>   |
| Reporting and             | <p>Cost of audit, including travel, lodging and wage expense,</p>   | <p>Payable only if audit shows greater than 5%</p>   | <p>We may audit your financial records if we feel there is a</p>   |



| Name of Fee                                 | Amount   | Due Date  | Remarks  |
|---|--|---|--|
| Accounting Audit Expenses                   | reasonable legal and accounting costs plus interest of 1 ½% per month on back fees.  | variance from reported information.   | need. In addition to the Audit Fee, all underpaid or unpaid fees plus interest must be paid.   |
| Late Fee                                    | \$50.00 due per delinquent report plus interest on fees or other payments past due   | Interest is accrued each month fees or other payments are past due.         | Charged if your report or payment is postmarked after it's due.  |
| Additional Training Fee                     | For each additional person to attend:<br>First 2 weeks of Training, \$750 (Supplies Fee)<br>Sales Training, \$500<br>Third Week of Training, \$1,300 | Due when you register for additional training.                              | Additional training fees are determined by our cost of providing it. You will have to pay any travel, lodging, meals, and other daily living expenses associated with first two weeks, Sales, and third week of Training. When attending Optional Kits Training, you will have to pay any travel, lodging, meals, and other daily living expenses if you attend session in Memphis or for trainer if trainer travels to your location. |
| Optional Kits                               | <del>From \$295.00 to \$526.00 each (Exhibit C-1 listed kits)</del>  | <del>Due at time of purchase</del>  | <del>These optional kits are purchased after you have completed the appropriate training.</del>  |
| Ownership Transfer Fee <sup>1</sup>         | \$109,950.00+ <u>which includes</u> \$1,000 Convention Attendance Fee  | Due when you transfer any ownership interest of your license or business.   | Payable by you or the buyer when you sell your business. No fee is paid if you transfer ownership to your spouse or child or to a corporation that you control.  |
| Brokerage Fee                               | 10% of total sales price of franchise  | Due at closing of sale if FM acts as a Broker in selling your franchise.    |  |
| Software System Fee <sup>2</sup>            | \$48.00 per month after first year if this is the purchase of new license.   | Due monthly after first year of operation                                   | Will be automatically billed to credit card or through pre approved bank draft.  |
| <b><u>QFR PROGRAM FRANCHISEES ONLY:</u></b> |  |   |  |
| <u>QFR Job Referral Charge<sup>3</sup></u>  | <u>\$36.00 per job referred through 1-800-RESPOND</u>  | <u>Payable by the earlier of the 25<sup>th</sup> day of the next month.</u> | <u>FM has the right to increase this fee from year to year.</u>  |
| <u>QFR re-instatement fee<sup>3</sup></u>   | <u>\$50.00</u>   | <u>With referral fee payment</u>  | <u>If referral fees are not paid, you will be turned off in the RESPOND System and you</u>   |

| Name of Fee | Amount | Due Date | Remarks                                 |
|-------------|--------|----------|---|
|             |        |          | will be charged a fee to be reinstated. |

Notes: 1. All fees are imposed by and payable to Furniture Medic unless otherwise indicated. All fees are non-refundable, except the Convention Attendance Fee will be refunded to the buyer upon attendance at the next scheduled International Convention after execution of the franchise agreement.

2. 2. FM, in its sole discretion, reserves the right to change this rate from year to year. The first year exemption from paying the software system fee does not apply to a transfer of an existing license.
3. These fees apply only to AFR Program franchises.

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# ITEM 7

## YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>

| <u>TO BE PAID</u>  | <u>AMOUNT</u>  | <u>METHOD<br/>OF<br/>PAYMENT</u>                                | <u>WHEN<br/>DUE</u>                         | <u>PAID TO/FOR</u>  |
|--|--|---|---|---|
| INITIAL FRANCHISE FEE<br>(Note 2a, 2b, and 2c)                                       | \$4,900-24,500<br>(Note 3)   | Lump Sum  | When you sign<br>the franchise<br>agreement | Furniture Medic   |
| INITIAL TRAINING FEE<br>AND TRAINING SUPPLIES<br>FEE (Note 2)<br><del>(Note 2)</del> | Included in<br>Initial Franchise<br>Fee  | Included in<br>Initial<br>Franchise Fee                         | When you sign<br>the franchise<br>agreement | Furniture Medic   |
| TRAINING RELATED<br>EXPENSES   | \$1,000 - \$3,000  | Your choice   | As incurred                                 | Misc. (Hotel, travel,<br>meals, etc.)                       |
| OPENING PACKAGE<br>(Note 2b)   | \$2,500 -<br>\$12,500+ sale<br>tax, shipping<br>and handling<br>(Note 3 and 4)       | Lump Sum <sup>3</sup>   | When you sign<br>the franchise<br>agreement | Furniture Medic   |
| INSURANCE Liability/Vehicle  | \$2,500 -<br>\$4,500/yr<br>(Note 5)  | Installment or<br>Lump Sum                                      | As incurred                                 | Our suggested source<br>or your Insurance<br>Carrier.       |
| COMPUTER SOFTWARE  | Fees for first<br>year of<br>operation is<br>included in<br>Initial Franchise<br>Fee | 1 <sup>st</sup> year<br>included in<br>Initial<br>Franchise Fee | n/a   | After   |
| INTERNET CONNECTION<br>(Note 2b)   | \$45 - \$150   | Monthly<br>payment  | Upon start of<br>operations                 | Vendor of your choice                                       |
| FAX MACHINE (Note 2b)  | \$200  | As incurred   | As incurred                                 | Vendor of your choice                                       |
| MISCELLANEOUS<br>OPENING COSTS (Note 2b)   | \$200- \$1,500   | As incurred   | As incurred                                 | Business licenses,<br>utilities and phone,<br>deposits etc. |
| SERVICE VEHICLE  | \$2,000 to<br>\$25,000<br>depending on<br>model<br>(Note 7)                          | Your choice   | According to<br>purchase<br>option          | Our suggested source<br>or your choice                      |
| VAN DETAIL PACKAGE   | \$260 to \$644<br>plus shipping<br>and handling<br>(Note 6)                          | Lump sum  | As incurred                                 | Direct from vendor  |
| REAL ESTATE AND<br>IMPROVEMENTS  | N/A<br>(Note 8)  |   |   |   |

| <u>TO BE PAID</u>                           | <u>AMOUNT</u>                        | <u>METHOD<br/>OF<br/>PAYMENT</u> | <u>WHEN<br/>DUE</u> | <u>PAID TO/FOR</u>        |
|---|--------------------------------------|----------------------------------|---------------------|---------------------------|
| ADVERTISING FUND<br>CONTRIBUTION – 3 months | \$150<br>(Note 10)                   | \$50 per<br>month                | Monthly             | Furniture Medic           |
| <u>ROYALTY FEE – 3 months</u>               | <u>\$750</u><br><u>(Note 10)</u>     | <u>\$250 per</u><br><u>month</u> | <u>Monthly</u>      | <u>Furniture Medic</u>    |
| ADDITIONAL STARTUP<br>FUNDS – 3 months      | \$2,000 - \$6,000                    | Out of pocket<br>as incurred     | As incurred         | Supplies, utilities, etc. |
| INITIAL MARKETING                           | \$600- \$3,000<br>(Note 9)           | As incurred                      | As incurred         | Vendor of your choice     |
| TOTAL <sup>11</sup>                         | \$17,105 to<br>\$81,894<br>(Note 11) |                                  |                     |                           |

Notes:

1. You may purchase more than one license and your initial investment will increase.
2. a. Furniture Medic currently offers franchisees the ability to buy an additional franchise license for 80% of the initial franchise fee (See Item 5 for details). The initial franchise fee covers the cost of training for one attendee. If you have other employees who wish to attend training, the fee is \$750 for the first two weeks, \$1,300 for the third week per person, and \$500 for sales training only for each additional person. (See Item 11)  
b. Conversion Franchise could receive discount on initial franchise fee and opening package as outlined in Item 5. A Conversion Franchise may have acceptable internet connection and a fax machine and already have paid utility and telephone phone deposits which will not need an initial investment.  
c. FM currently offers existing FM franchisees the ability to buy an adjacent territory, where available, franchise license for the 20% initial franchisee fee discount with rebates back to the franchise owner over a 36-month period. A rebate is available to the franchise owner when a specified goal of Customer Level Revenue is attained in this new adjacent territory. (See Item 5 for details.) FM makes no claim or promise that this new franchise territory will provide your enterprise the additional revenue to attain these Customer Level Revenue goals of this rebate offer. While achievement of such benchmarks is a condition of the rebate, there is no assurance you will achieve this level of revenue. If you do not achieve this level of revenue, you will not receive the benefits of the rebates.
3. With your approved credit, SMAC will finance up to 80% of the initial franchise fee and opening package to include up to \$1,500 for taxes, shipping and handling charges with a 20% down payment. SMAC charges the current prime interest rate as reported in The Wall Street Journal, plus 5% (subject to a floor of 8%) for a term up to 7 years. The initial fee may vary depending upon whether you are eligible for either of the discounts listed in Item 5. The lower amounts shown in the chart above, Initial Franchise Fee of \$4,900 and the Opening Package fee of \$2,500 represent the 20% down payment you would owe should you decide to finance through SMAC. The terms of the SMAC financing are more fully disclosed in Item 10 entitled Financing.
4. Exhibit C lists the contents of the Opening Equipment Package. Actual charges for shipping and handling and sales tax will vary depending on your location. We estimate those charges at approximately \$1,500 which with approved credit may be financed through SMAC. You pay these charges to us. If these charges are lower than estimated, we will apply any overage toward your outstanding SMAC loan. If you do not finance through SMAC, we will refund any overage to you directly. See Item 10 Financing for details.
5. Required insurance policies include commercial vehicle and comprehensive general liability in the amount of one million dollars each with respect to the Franchised Business and with FM named as an additional insured. You must also maintain workers' compensation insurance coverage for all employees, irrespective of your state requirements to do so. You must provide FM with proof of insurance within 30 days of the opening of your business. Your personal history or the state where you live may vary the amount of premiums based on your previous experience. Insurance coverage quoted is not available in Alaska or Hawaii and is based on 1 van and no more than 2 employees. Details of the plan offered by our suggested source will be supplied.
6. As of the date of this Offering Circular, the Van Detail Package may be purchased directly from the vendor. Price will

vary depending on the size of the vehicle. You may have the decal installed by us during training for a installation fee of \$125. FM does not require approval of any specific vendor for the purchase of a service vehicle.

7. You must operate at least one service vehicle painted bright white with the required FM logos and markings. The service vehicle price quoted is exclusive of tax, tags, title and extra options. Generally, you may finance the vehicle through commercial sources at prevailing rates. We do not guarantee that you will qualify for any lease or financing arrangements. (See Item 8 for further details.)
8. We do not require you to buy or lease space for your Franchised Business. You may operate your Franchised Business from your home. If you decide to set up a location outside your home, your initial investment would increase.
9. You will incur marketing costs to promote your business. These figures are only estimates. Actual costs will be determined at your discretion for the amount of marketing you elect to perform in the first 90 days of operations of your business. These figures include estimates for direct mail, business cards, newspaper ads and other typical marketing costs.
10. You will pay a monthly Advertising Fund Contribution of the larger of \$50.00 or 1% of Gross Sales and a Royalty Fee of the greater of \$250 or 7% Gross Sales. Should the minimum monthly payment of either fee be the larger of the two fee amounts due during the first 90 days after completion of training, you will pay the fees based only on actual Gross Sales. This initial minimum fee waiver shall apply only to new sales.
11. This estimates your initial start up expenses. These investment requirements do not contemplate your on going living expenses. The lower range of expense assumes you run the business by yourself and do not include payroll costs. We cannot guarantee you will not have additional expenses starting the business. These figures are estimates only. Your costs will depend on your management and business skills, economic and market conditions, wage rates and the number of employees with which you start your business.

## ITEM 8

### **RESTRICTIONS AND SOURCES OF PRODUCTS AND SERVICES**

#### Supplies and Equipment.

We are the only approved source of supplies and equipment that are needed to operate the Franchised Business. The minimum order for supplies or equipment is \$25.00 and all shipments are FOB Carol Stream, IL. We derive revenue from the sale of supplies and equipment to franchisees, but not on the Service Vehicle Detail Package. For the year ended December 31, ~~2004~~2005, Furniture Medic's total revenue was ~~\$3,439,000~~\$3,001,708 while revenue from the sale of supplies and equipment to franchisees for the year ended December 31, ~~2004-2005~~, was ~~\$924,000~~\$898,284 or ~~27%~~ 30% of Furniture Medic's revenues. The purchase of products from us will represent 15% to 25% of your overall purchases in operating a Furniture Medic Franchised Business.

#### Service Van and Van Detail Package.

You are required to purchase at least one service vehicle to operate your Furniture Medic franchise and because all sales calls must be made in a service vehicle, as your business grows, you may need more than one van or approved service vehicle. Each van or approved service vehicle must be painted bright white and display the Furniture Medic logo and markings. These markings, which we call the Detail Package, are available only from our approved vendor. You must buy the Detail Package (See Items 5 and 7) direct from the vendor. The cost will range from ~~\$260~~266 to ~~\$644~~678 depending on the size of the vehicle. You may arrange to have it applied yourself, or, for a charge of \$125, we will have it applied while you are in training in Memphis. The percentage of your van or service vehicle purchase in relation to the total cost of establishing your Franchised Business will depend on the amount of money you use as a down payment, if any, and whether you are leasing or purchasing your van.

If you want to use a supply or equipment source that we have not approved, you must first submit to us information including product specifications, product components, product performance history, product samples, and any other relevant information. We will evaluate the proposed product considering the technical, wear, and performance properties of the item. We may also consider other factors including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods and financial ability to stand behind its products. Our review is generally completed in three weeks. We will advise you in writing of our decision. We impose these restrictions to safeguard the integrity of the Furniture Medic System and Commercial Symbols. Specifications and standards are not issued to either franchisees or suppliers.

~~Where we have designated approved suppliers, you must use them. Not doing so would put you in violation of the franchise agreement.~~

You may derive some benefit from dealing with our designated suppliers since, because of the volume of business they do with our franchisees, they may offer better prices than other suppliers but, except for this, you suffer no monetary disadvantage if you choose not to deal with our designated suppliers.

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## ITEM 9

### FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

| Obligation   | Article in Franchise Agreement  | Item in Offering Circular |
|--|---|---------------------------|
| a. Site Selection and acquisition/lease                    | Article I   | Items 5, 11, 12           |
| b. Pre-opening purchases/leases                            | Articles III, A; III, B; III, G--; I; V.B.  | Items 5, 7, 8             |
| c. Site development and other pre-opening requirements.    | Article V, P; V, O  | Items 7, 8, 12            |
| d. Initial and ongoing training                            | Articles IV, B; IV, C; V, G.2; V.E.   | Items 5, 7, 11            |
| e. Opening   | Articles III, G - I; IV, A; IV, B; V, B; V, L; V, N; V, O; V, P; Telephone Listing Authorization Agreement; Guarantee of Corporate Obligations; National Account Exhibit or Addendum Declining Participation in National Account Program. | Item 11                   |
| f. Fees  | Articles III; IX, A.4 and 6; V, W; VI, D.1; VII, B; <u>Exhibit B; 2.g; Promissory Note.</u>   | Items 5, 6, 7, 10         |
| g. Compliance with standards and policies/Operating Manual | Articles V; VI; VIII, B, 5; VIII, D; XIII, J;   | Items 8, 11, 12           |
| h. Trademarks and proprietary information                  | Articles I, A; <u>V, B; V, D; IX, A, 1/2/3 Exhibit A-2.</u>   | Items 13, 14              |
| i. Restrictions on product/services offered                | Articles I, B; V, A; V, H; V, N; V, S; V, U; V, V; VIII, B, 6; VIII, B, 7; VIII, E.4; XIII, J.  | Items 8, 16               |
| j. Warranty and customer service requirements              | Articles V, C; V, B; V, Z; XIII, J.   | None                      |
| k. Territorial development and sales quotas                | None  | Item 12                   |
| l. Ongoing products/service purchases                      | Articles IV, F; V, U; V, A.   | Item 8                    |
| m. Maintenance, appearance and remodeling requirements     | Articles V, B; V, C; V, D, 9;   | Item 13                   |
| n. Insurance   | Article V, L  | Items 7, 8                |
| o. Advertising   | Article III, E IV, E; V, D; V, H; V, I; IX, A; <u>1/2/3 Exhibit A-2.</u>  | Items 6, 11, 12           |
| p. Indemnification   | Article XI.   | None                      |
| q. Owner's participation/management/                       | Articles V, C; V, O;  | Item 15                   |

| Obligation                   | Article in Franchise Agreement   | Item in Offering Circular |
|------------------------------|--|---------------------------|
| Staffing                     |  |                           |
| r. Records/Reports           | Articles VI; VIII, B, 3;   | Item 6                    |
| s. Inspections/audits        | Article VI, D  | Item 6                    |
| t. Transfer                  | Article VII  | Items 6, 17               |
| u. Renewal                   | Article II, B.   | Item 17                   |
| v. Post-term obligations     | Article IX   | Item 17                   |
| w. Non-competition covenants | Articles V, R; IX, B; <del>Nondisclosure and Non-competition Agreement</del> | Item 17                   |
| x. Dispute resolution        | Article XII  | Item 17                   |



## ITEM 10

### FINANCING

We do not offer direct financing. Our affiliate, ServiceMaster Acceptance Company, L.P. ("SMAC") (see Item 1 disclosure), does offer financing for the Initial Fee and Opening Equipment Package, including up to \$1,500 in shipping, handling and sales tax that you pay to us for your Franchise as described in the chart below.

|   |   |
|---|---|
| Amount Financed <sup>1</sup>                  | Up to \$30,800  |
| Down Payment <sup>1</sup>                     | Min. of \$7,700   |
| Term <sup>1</sup>                             | 7 years   |
| Interest Rate <sup>1</sup> (APR) <sup>2</sup> | <del>10.5</del> <u>12.50%</u>   |
| Initial Monthly Payment <sup>3</sup>          | <del>\$280</del> <u>\$331</u>   |
| Prepay Penalty                                | None  |
| Security Required <sup>4</sup>                | Franchise Business Assets/Personal Guaranty;<br><del>Spousal Guaranty</del> /UCC-1 Financing<br>Statement/Business Owner(s) Guaranty/Other<br>Collateral Upon Request               |
| Liability Upon Default <sup>5</sup>           | Loss of Franchise and Other Franchises/<br>Acceleration of Loan Balance(s) Attorney<br>Fees/Max. Lawful Rate of Interest (Business<br>Note)/Court Costs/ Any Other Related Expenses |
| Loss of Legal Right On Default                | Waive Notice/Loss of Defenses   |

<sup>1</sup>With your approved credit, SMAC will finance up to 80% of the initial franchise fee and opening equipment package (equipment package to include up to \$1,500 for taxes, shipping and handling charges) for a term up to seven years. An application for financing must be completed and signed by ~~you and your spouse~~ all applicants. Upon approval, a Business Note and Security Agreement ("Note") (Exhibit D) with personal guaranties must be signed along with a pledge of the assets of the Franchise (UCC-1 Financing Statement). Copies of drivers' licenses of all signatories must be provided to SMAC.

SMAC charges annual interest on the outstanding principal balance at the then current prime interest rate as reported in *The Wall Street Journal*, plus 5% (subject to a floor of 8%). SMAC retains the right to change the rate of interest charged and, at any given time, may offer financing arrangements that differ from those disclosed here for the license and opening equipment purchase, subject to restrictions. SMAC may sell the Note to a third party.

Furniture Medic does not receive payment for the placement of your financing with SMAC. Neither Furniture Medic nor any employee, FM US 13/2006

salesperson, or agent of Furniture Medic has any express or implied authority to act as an agent of SMAC. The rates and terms offered are authorized solely by SMAC. Furniture Medic does not arrange financing from sources other than SMAC.

With approved credit, you may be eligible to receive 100% financing by securing your license and equipment purchase with stock that you own in either The ServiceMaster Company or any publicly traded stock on the New York Stock Exchange or NASDAQ. SMAC will allow you 1.5 times the value of your ServiceMaster Company stock or 2 times the value of your publicly traded stock to cover your 20% down payment. For example, for a \$20,000 loan to cover the 20% down payment, you must have \$6,000 in ServiceMaster stock ( $\$20,000 \times 20\% \times 1.5 = \$6,000$ ) or \$8,000 in other publicly traded stock ( $\$20,000 \times 20\% \times 2 = \$8,000$ ). In order to use stock as collateral, SMAC must hold the stock certificates and a signed Irrevocable Stock Power in its possession. The Stock Power authorizes SMAC to sell the shares upon default.

With approved credit, SMAC is also willing to provide 100% financing if you wish to provide SMAC with the equivalent amount of equity in residential real estate to satisfy your 20% down payment. Financing is subject to any applicable state Homestead Exemption statutes. You must pay all costs and fees related to this transaction, including, but not limited to, appraisal, closing, legal and filing.

<sup>2</sup>The Interest Rate (APR) is stated as of ~~February 1, 2005~~ March 20, 2006.

<sup>3</sup>Your first payment is due three months after the date of the franchise sale. Interest begins to accrue in the second month and your first payment is due in the third month. Your first twelve equal payments will be an amount slightly above the accrued interest. These payment amounts are estimated in the charts above. Beginning with your thirteenth payment, your payment amount will increase and will represent payment of both principal and interest. Monthly payments will be automatically transferred from your bank account (Exhibit D, Form A). Should SMAC agree to accept payments in any form other than by automatic transfer, a fee may be charged to the borrower. If any payment is returned for any reason, a fee of \$25 will be charged. Any payment not received by the tenth day after its due date is subject to a late charge in the amount of 5% of the payment or \$25 (whichever is greater).

<sup>4</sup>SMAC requires a personal guaranty of the Note by you and your spouse and, by all the appropriate owners of the business, and their spouses, may request additional guarantees as deemed appropriate. ~~And~~ SMAC requires a pledge of the assets of the Franchise (UCC-1 Financing Statement) and any and all other collateral required by SMAC. You may prepay the Note at any time without penalty.

<sup>5</sup>If you do not make payments when due, SMAC may demand immediate payment of the full outstanding balance of this loan and any other outstanding loans you may have with SMAC. Furniture Medic also has the right to terminate your franchise and any other franchise you may have with Furniture Medic if you do not make your Note payments on time. In the case of default, interest will accrue at the fixed rate of eighteen percent (18%).

## ITEM 11

### FRANCHISOR'S OBLIGATIONS

A. Our Pre-Opening Obligations. Before you start operating your business whether a new sale or a conversion franchise, we will provide you with the following. Except as listed below, we need not provide any assistance to you.

1. Territory. When you select a proposed Territory, we will let you know if there is a License available there and provide you with the area's current population data, and other FM franchisees near your proposed Territory. When you sign the franchise agreement, we grant you a nonexclusive License to a county as your marketing area or Territory. (Franchise Agreement, Article I.A, I.B.2 and IV.A.)

2. Opening Package. We will ship your Opening Package to your home or business address at your expense immediately following training. The contents of this package are listed in Exhibit C. (Franchise Agreement, Article IV.A.3) FM will review products and equipment already in a Conversion Franchise's business. If these products and equipment meet with FM standards and approval, an Opening Package is not required to be purchased by the Conversion Franchise.

3. ServiceMaster Complete On-Line Resource. In training, we will give you access to the ServiceMaster Complete On-Line Resource website ("SCOR") that contains both mandatory and suggested specification, standards and procedures. Access to SCOR is password-protected and must be limited to Franchisees and their employees only. We will modify SCOR, but the modification will not significantly or materially alter your status and rights under the Franchise Agreement. However, you will be required to

conduct the Franchised Business in accordance with any modification. (Franchise Agreement, Article IV.B.1) Exhibit E to this Offering Circular lists the Table of Contents of SCOR as of the date of this Offering Circular.

4. Training. The following conditions and fees apply to both new franchisees and transferees. We provide training for one person and will train others you need to have trained on a "space available" basis. The cost of this training for one person is included in your Initial Franchise Fee. You must pay for travel, lodging, meals and expenses related to coming to training. (Franchise Agreement, Article VI.A.2, IV.B) There will be a Training Supplies Fee of \$750 for each additional person attending the first two weeks of training. (Article III.B) An additional \$500 fee will be charged for each additional person attending sales training. Your training will consist of a Pre-Academy Program (hereinafter "Academy") that can be completed in as little as four weeks coupled with a two-week session at the FM headquarters in Memphis, Tennessee. Then 90 to 120 days after successfully completing the Academy, you will return for one week of additional training. The cost for this additional training for one person is included in the Initial Franchise Fee and includes transportation, hotel and some meals. There will be a \$1,300 Training and Supplies Fee for each additional person attending this third week of training. Training is mandatory for you and it must be completed satisfactorily within 6 months after the purchase of your franchise if this is a new franchise. At the end of the initial training you must pass a test or re-attend the Academy within 6 months at your own expense. We recommend all employees, partners or agents who will provide Franchised Services complete the training program also. (Franchise Agreement, Article IV.B.2, V.O.) We generally schedule training classes 6 months out of every year. You are encouraged to attend training as quickly as possible after you have completed your Pre-Academy course. In addition, we will provide training to any replacement officer or manager at a cost to be determined from time to time by us. If fewer than 6 people are signed up for your scheduled training, we reserve the right to delay training until the next available session of 6 or more attendees but within 6 months of the purchase of your franchise.

The Academy is conducted by our Director of Franchise Operations, Mark Poradae, who is assisted by various individuals listed in Item 2 and other Furniture Medic staff members.

Training is conducted in a classroom environment, in a "hands-on" laboratory environment in our headquarters in Memphis, Tennessee

Training, marketing and operation manuals are provided as instructional material. Various pieces of furniture and wood are provided on which to practice.

A sample of the training schedule is attached as Exhibit "J". We also conduct regional meetings that are hosted by our Home Office staff.

If you participate in the QFR Program, you, the owner must complete the Quality Furniture Restoration Vendor Certification Class, a webinar on filing insurance claims. There is no fee for this class.

5. Marketing Materials. In Pre-Academy, we make available marketing materials including marketing literature, brochures, stationery and business card proofs, and other media proofs and direct sales aids to assist you in your Franchised Business. These materials are FM's property. We will update and modify information as needed. (Franchise Agreement, Article IV.B.1) If you want to use advertising materials that you develop, you must submit them to us for approval prior to using them. (Franchise Agreement, Article IV.F, V.F)

6. Van Detail Package. We will make available the Detail Package to you for the fee noted in Item 7. (Franchise Agreement, Article IV.A.4).

B. On-going Obligations.

1. While you are operating your business, the License requires that Furniture Medic will provide you with the following. Except as listed below, we are not contractually bound to provide any assistance to you.

a. National Advertising Funds.

FM Advertising Fund. The Ad Fund (hereafter referred to as the "AF") may be spent by us, at our sole discretion for media we may feel is appropriate as well as marketing techniques or programs designed to advertise and promote the Franchised Products and Services and/or Commercial Symbols to consumers, for market research and development, test or target marketing, the conducting of surveys, creative and production costs, employee salaries directly or indirectly related to advertising and marketing, repayment to FM or ServiceMaster for reasonable accounting, administrative and legal expenses associated with the AF, or on other expenses related to enhancing and promoting the general recognition of our name, products and services. We will determine and budget the specific use of the AF as we deem necessary. We have no franchisee Advertising Council. There is no requirement that AF dollars will be spent in any specific territory (national, regional or local) and contributions by you do not necessarily mean that AF advertising will influence your DMA. (Franchise Agreement, Article III.E) The fund is not audited but financial information about the Fund is available at the annual convention upon request or by request from the AF Administrator. The AF is administered by our accounting and marketing departments. In ~~2003~~2005, 46% of the AF was spent on Market Research; ~~45~~13% was spent on tradeshow/memberships; ~~50~~38% was spent on Direct Mail marketing; ~~13~~0% on Disaster Restoration Marketing; ~~41~~% on internet development-marketing; 5% on public relations; 1% franchise owner support materials, and ~~34~~17% administrative and marketing expenses. None of the Ad Fund is spent on advertising the sale of franchise licenses. All funds not allocated at the end of a year will remain in the AF and will be used for the various purposes described above. Franchisees now contribute the larger of \$50 or one percent (1%) of Gross Sales per month to the Ad Fund. (Franchise Agreement, Article III.E) There are franchisees in the system who contribute a lesser fixed amount, but the monthly contribution for new franchisees is \$50 or 1% of gross sales. Item 6, 7 and 9 of this Offering Circular contain other information about advertising. You are provided with sample ad slicks and must not use any advertising or promotional materials unless we approve them. If you want to use advertising materials that you develop, you must submit them to us for approval. (Franchise Agreement, IV.F; V.F) At the date of this Offering Circular, there is no local or regional advertising cooperative that you must join. Other than this, FM does not currently have any requirements regarding cooperatives. (Franchise Agreement, Article V.W.)

b. Approved suppliers.

We will provide your equipment and supplies or we will provide designated sources from which to purchase your equipment and supplies. (Franchise Agreement, Article IV.F).

c. Advertising approval.

If you want to use advertising materials that you develop, you must submit them to us for approval prior to using them. (Franchise Agreement, Article IV, F and V, F.)

d. Additional training.

We will make available further training for the Franchised Products and Services we introduce. We may charge a reasonable fee for this additional training, to offset our costs. (Franchise Agreement, Article IV, C.)

e. Computer Equipment and Software.

You must install and use a computer in the operation of your business. If this is the purchase of a new franchise, this cost is included in the Opening Package and listed on Exhibit C to this offering circular. Computer hardware and software minimum requirements are as follows:

- 1) 400 MHz processor (600 MHz or higher recommended);
- 2) 128 MB of RAM (256 MB recommended)
- 3) 4 GB of available hard drive space
- 4) 8X CD-ROM drive (12X or higher recommended)
- 5) Fax/modem, 28.8 BPS (56K recommended)

- 6) SVGA color monitor set to 800 x 600
- 7) High-speed Internet connection through an Internet Service Provider (ISP)
- 8) Windows XP Professional / MS Office Standard

You are not required, during the term of the Franchise Agreement to upgrade your computer system. However, in the future, software may be developed that may not run on older equipment and you may choose to upgrade your equipment to use the software. We will have no independent access to information and data that is electronically collected.

2. Even though the License does not require us to, as of the effective date of this Offering Circular, it is our current habit to provide:

a. Telephone help line.

Our Franchise Operations Department currently provides and maintains a telephone inquiry line for technical advice, business development, product information, marketing assistance and other information as requested by the Franchisee in the day-to-day operation of the franchised business. This telephone service is free throughout the continental United States and Canada.

b. Convention.

We have an annual convention of franchisees and there is a fee charged to attend. You are not required to attend the annual convention. If you choose to attend, you pay your own transportation to and from the meeting as well as lodging and some meals outside the convention. If this is the purchase of a new license or transfer of an existing license, \$1,000 of the initial franchisee fee (or \$1,000 of the transfer fee) will be refunded if franchisee attends the first National Convention held after execution of the franchise agreement

c. Weekly newsletter.

We publish a weekly newsletter that is made available to each franchisee via the internet and contains helpful information about your Franchised Business, new developments and other topical items

d. FM Website.

We maintain a password protected Web site called FMsupport.com to exchange technical tips and business information between FM and franchisees.

C. We do not require you to buy or lease space for your Franchised Business. You may operate your Franchised Business from your home. If you decide to set up a location outside your home, your office must be within your territory.

D. Typically, you will be in business as soon as you finish the Pre-Academy and successfully complete two weeks of training at our headquarters and return to your Territory. You must sign your franchise agreement and pay training fees prior to attending training. Most of our franchisees have completed training and are in business within 90 to 120 days of signing their agreement.

## **ITEM 12**

### **TERRITORY**

Your non-exclusive License covers your Territory which corresponds to one or more counties, parishes or other similar designation and must contain at least 100,000 people unless mutually agreed upon between the parties. The number of Licenses that may be awarded in a Territory at any given time is determined by dividing the current population of the Territory by 100,000. The resulting nearest whole number is the maximum number of franchises that will be granted by FM within your same Territory. However, other franchisees who operate in a Territory other than which you have been granted may be allowed to provide services, under certain

circumstances, in your Territory. FM will determine the Territory based on population, population density, geographical terrain and market potential. The number of Licenses authorized in the Territory may vary from time to time and may not remain constant. We reserve the right to establish additional Licenses in the Territory.

You may not advertise or solicit for Franchised Services outside your Territory. You may not provide Franchised Services outside your Territory except as allowed under the terms of the National Accounts Program or if requested by a customer.

You are required to participate in the National Accounts Program; you may accept business from a National Accounts Sales Lead that we provide you even if it comes from outside your Territory. We reserve the right to determine the appropriateness of any allocation of any prospective Sales Leads. You are required to honor FM's obligations to any such national customer. There may be a modification or reduction of your rights to your Territory because the National Account Program allows us to award Sales Leads from the program at our discretion. If you are requested by a customer, without solicitation on your part, to perform services outside your Territory, you will be required to check our franchisee website to determine your ability to work within any Territory outside your designated territory. Prior franchisees may hold franchise agreements containing additional rights to protection of their Territory which you do not have and which may limit your ability to perform work there.

Your territorial rights are based solely on compliance with the Franchise Agreement. There are no sales quotas but you must not abandon the franchised business, which is defined as any of the following: two (2) consecutive months without sales, unless you make prior arrangements with us, or disconnecting your business phone or disposing of your service van.

You must operate or conduct your Franchised Business from only one location within your Territory, unless otherwise approved in writing. You may operate as many crews, teams, sales forces and vans as you want but all phones must be located at and answered from this one location. You may not transfer your license from one Territory to another.

There is nothing in the Franchise Agreement that prevents us from providing the Franchised Services or any other services under the Furniture Medic tradename or any other name in your Territory. As of the effective date of this Offering Circular, we have no company-owned operations. None of our Affiliates operate any businesses that would directly compete with your Franchised Business. Also, we have introduced a line of consumer furniture care products that are sold by our franchisees to their customers or by us directly to the retail public in your Territory.

There is nothing in the Franchise Agreement that gives you a right of first refusal or any other right to buy additional Licenses in the county containing your Territory or any county contiguous to your Territory's county, but you are free to do so if you choose and there are Licenses available at the time.

If you are a QFR Franchise, we will designate an area (usually using Zip Codes) in which you will be permitted, as long as you are in compliance with the QFR Program Standards, to perform QFR services. You do not have any exclusive right, however, to receive leads for jobs to be performed in these designated Zip Codes. Rather, FM has the absolute right to distribute leads according to its judgment.

Further, if you are not a QFR Franchise: (1) you will not qualify to receive consideration for QFR job leads for services to be provided within your Territory; and (2) you will have no option or other similar right of refusal with respect to any QFR leads.

## ITEM 13

### TRADEMARKS

The Franchise Agreement grants you the license to do business under the name "Furniture Medic" in your Territory only and outside your Territory as outlined in Item 12 and the Franchise Agreement. You also have the right to use the service mark "Furniture Medic" and all the other trademarks, service marks and commercial symbols (the "Commercial Symbols") used by us but only inside your Territory and only when operating your Franchised Business. We, or our parent, The ServiceMaster Company, or a subsidiary company, -has registered, applied for registration based on use, and filed the necessary affidavits of the following Commercial Symbols with the United States Patent and Trademark Office on the Principal Register. An example of these trademarks ~~are~~ is attached to this offering circular as Exhibit K.

"Furniture Medic"

U.S. Federal Reg #1,712,243, Registered on September 1, 1992

" Rx" Device

U.S. Federal Reg. #1,882,533, Registered on March 7, 1995

"The Prescription for Damaged Furniture"

U.S. Federal Reg #1,867,917, Registered on January 31, 1995

"TellFurnitureMedic"

U. S. Federal ~~Application Serial Number 78/563,523, filed February 9, 2005~~ Reg #3,054,916, Registered on January 31, 2006

FURNITURE MEDIC QFR and design

U. S. Federal Reg. #2,620,590, registered on September 17, 2002

In the U.S.A., we have federal rights to all of the Commercial Symbols listed above. There are no agreements currently in effect which significantly limit the right of FM to use or license franchisees to use the trademarks listed on Exhibit K.

We intend to file all applicable Sections 8, 15 and/or 9 renewal Affidavits with the United States Department of Commerce, Patent and Trademark Office at the proper time. There is currently no litigation involving our proprietary marks nor any effective determinations by the U.S. Patent and Trademark Office or any state with the exception of Kansas. The Attorney General of the State of Kansas has determined that the use of the "Rx" symbol in Kansas is limited to use by licensed pharmacists and entities that employ licensed pharmacists and has determined the taking, use or exhibition of the symbol by any other entity is prohibited. We have contested this ruling.

You must follow all rules stated in the Franchise Agreement regarding the use of our Commercial Symbols. You may only use Commercial Symbols that we license you to use. You cannot sell any service in your Franchised Business that is not under the name Furniture Medic.

If you learn of any infringement of the Furniture Medic Commercial Symbols or if any challenge to your use of any Furniture Medic Commercial Symbol is made, you must notify us immediately and you must assist us in prosecution or defense of a legal action. We will take whatever action we deem appropriate for infringement on any of our Commercial Symbols but will defend you if you are named as infringing on someone else's trademark because of your use of any of our Commercial Symbols.

If we modify any of our Commercial Symbols, you must make the same modification at your own cost. If we stop using any of our Commercial Symbols, you must also stop using that Commercial Symbol. You must not contest our ownership, title, right or interest in the Furniture Medic Commercial Symbols, trade secrets methods and procedures or contest our sole right to register, use or license others to use our Commercial Symbols, trade secrets, methods and procedures.

We are unaware of any infringing uses of the Furniture Medic name or Commercial Symbols that could materially affect your use of the name and Commercial Symbols in your business.

#### **ITEM 14**

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

On January 2, 1996, Patent No. 5,480,680, a Method for Refinishing Wood, was registered with the U.S. Patent and Trademark Office. The process is a method for imparting a color change to finished articles of wood or wood-grained materials using a combination of water-based dye or pigment and water-based resins applied over an existing finish without physically or chemically stripping the existing finish resulting in a significantly altered (lightened or darkened) appearance to the wood finish.

#### **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

Furniture Medic does not require that you personally supervise the franchised business. If you do not personally supervise the business, or if you are a corporation, partnership, or limited liability company, you must employ a manager who will be responsible for direct, on-premises supervision of the business. The manager must have successfully completed the Furniture Medic training program, but need not have an ownership interest if you are a corporation, partnership, or limited liability company. The manager must sign a written agreement to maintain confidentiality of the proprietary information described in Item 14 and to comply with a covenant not to compete, similar to that described in Item 17 (r).

#### **ITEM 16**

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

You cannot sell or provide any services other than those authorized by Furniture Medic which you are trained to provide. You may sell all of the services which you have been trained to provide. These Franchised Services include furniture repair services. We must approve in writing any additional service you may want to offer ~~in writing~~. If you purchase supplies, products or equipment for use in your Franchised Business from anyone other than us, each must be approved by us. (See Item 8).

Further, we have the right to put some limitations on QFR leads that we may develop for our QFR Franchisees. Procedures, policies and other terms and conditions regarding the QFR Program are provided in the QFR portion as published from time to time on [fmsupport.com](http://fmsupport.com).



We have the right to add additional services that you may be required to offer. You must successfully complete training for any additional products and services. There are no limits on our right to add additional services and you may incur additional costs to offer these expanded services and products. See Items 8, 9, and 12 for further details.

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## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists important provisions of the franchise and related agreement pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this offering circular.

| Provisions                                 | Article in Franchise Agreement | Summary   |
|--|--------------------------------|---|
| a. Term of the Franchise                   | Article II.A.                  | Term is 5 years from effective date of the agreement.   |
| b. Renewal or extension of the term        | Article II.B.                  | You may renew your agreement provided you are in full compliance with the Agreement.  |
| c. Requirements for you to renew or extend | Articles II.B.                 | You must notify us in writing of your intent to renew and sign a new agreement.   |
| d. Termination by you                      | None.                          |   |
| e. Termination by us without cause         | None                           |   |
| f. Termination by us with cause            | Article VIII.                  | We can terminate only if you have defaulted on your franchise agreement.  |
| g. "Cause" defined – curable defaults      | Article VIII.E.                | <p>You have 30 days to cure:</p> <ul style="list-style-type: none"> <li>Nonpayment of fees;</li> <li>Failure to submit or accurately report Gross Sales, annual Gross Sales or submit any other reports;</li> <li>Failure to obtain and maintain a business license;</li> <li>Failure to abide by or perform any of the terms of the franchise agreement; or defaults in the observance or performance of any obligation contained in any Promissory Note payable to FM or its affiliates;</li> <li>Marketing or sales solicitation outside your Territory;</li> <li>Material misrepresentations, maintaining false books or records, submitting false reports;</li> <li><u>Use of unapproved products;</u></li> <li><u>Failure to complete training in a manner satisfactory to FM;</u></li> <li><u>Unauthorized sale or transfer of license;</u></li> <li><u>Non-compliance with insurance requirements;</u></li> <li><u>Default of any provision of this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates.</u></li> </ul> |
| h. "Cause" defined – incurable defaults    | Article VIII.A; VIII.B.        | <p>Non-curable defaults:</p> <ul style="list-style-type: none"> <li>Insolvency;</li> <li>Bankruptcy;</li> <li>Abandonment, i.e. 2 months without sales, no business phone, no service vehicle;</li> <li>Conviction/no contest to a felony; 3 or more defaults;</li> </ul>   |

| Provisions                                      | Article in Franchise Agreement | Summary  |
|---|--------------------------------|--|
|   |                                | unethical business practices; <u>Discloses or misuses "FM trade secrets or confidential information; Breaches without cure any other FM Franchise Agreement which is then terminated.</u>  |
| i. Your obligations on termination/non-renewal  | Article IX.A.                  | Obligations include:<br>stop using FM trademarks;<br>release phone numbers to FM;<br>in 10 days ship everything with FM logo back to FM;<br>de-stripe van and send photos;<br>pay outstanding fees; pay the minimum fee for the remainder of the contract term.  |
| j. Assignment of contract by us                 | Article VIII.                  | No restrictions on our right to assign.  |
| k. "Transfer" by you – definition               | Article VII.A.2.               | Includes assignment, sale or other transfer by you of:<br>interest in the Agreement;<br>any of the ownership of franchise;<br>the business;<br>sale of capital stock or partnership interest in the business; merger;<br>issuing additional stock;<br>sale of common stock;<br>transfer resulting from divorce or other legal action;<br>transfer as result of death;<br>sale of assets of business.   |
| l. Our approval of your transfer                | Article VII.B.                 | We have the right to approve the material terms of transfer including the price and terms of payment.  |
| m. Conditions for our approval of your transfer | Article VII.B.                 | New owner must:<br>have business experience and financial ability to assume license;<br>assume license obligations;<br>complete training;<br>have service vehicle;<br>sign new license agreement.<br><br>You must:<br>be current in all fees and not in default of license;<br>pay applicable transfer fee;<br>sign release in favor of FM;<br>sign non-compete in favor of new owner;<br>agree new owner's payments to FM are subordinate to new owner's payments to you;<br>replace any missing equipment, supplies or other assets transferred to new owner at your sole expense. |
| n. FM's right of first refusal on your license  | Article XIII.K.                | You must offer to sell your license to FM in writing for a specific price before selling it to anyone else.  |

| Provisions  | Article in Franchise Agreement                                      | Summary   |
|---|---|---|
| o. FM's option to purchase your license   | Article XIII.K.   | FM does not have to buy your license and must answer your offer to sell within 60 days of getting it.   |
| p. Your death or disability   | Article VII.D.  | Your executor can assign your license but FM must approve the new owner and the license must be assigned within 6 months.   |
| q. Non-competition covenants during the term of the franchise                     | Articles V.T.1. Nondisclosure and Noncompetition Agreement          | <del>You and your spouse</del> Franchisee, its principals, employees, partners, officers and their spouses cannot be involved in a business that competes with FM.  |
| r. Non-competition covenants after the franchise license is terminated or expires | Article V.T.2. and IX.B. Nondisclosure and Noncompetition Agreement | <del>You and your spouse</del> Franchisee, its principals, employees, partners, officers and their spouses cannot be involved in a business that competes with FM in the lesser of adjacent counties of the Territory or 75 miles from the outside border of the territory for 2 years. |
| s. Modification of the license  | Article XIII.I.   | We may adopt and use new or modified Commercial Symbols, products, equipment or techniques and you agree to comply with the modifications even if these modifications change the license.   |
| t. Integration/merger clause  | Article XIII.L.   | The license agreement contains the whole understanding between us.*   |
| u. Dispute resolution by arbitration or mediation                                 | Article XII.  | All disputes must be resolved by arbitration except those set forth in Article XII, Paragraph 5.  |
| v. Choice of forum  | Article XIII.G.   | Any legal action including arbitration must occur in Memphis, Tennessee, except where prohibited by your state's law*   |
| w. Choice of law  | Articles XIII.G.  | Tennessee law will be used except where prohibited by your state's laws.*   |

\* These states have statutes which may supersede the franchise agreement your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. and Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit. 6, Ch.25, Sections 2551-2556], HAWAII [Rev.. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 815 ILCS 705/19 and 705/20 (as to venue and governing law, Section 705/4)], INDIANA [Stat. Section 23-2-2,7](which also supersedes the provision regarding venue, governing law, transfers, releases and noncompetition covenants), IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854927], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified laws Section 37-5A-Section 19.100.180], VIRGINIA [Code 12.1557-574 - 13.1-564]. WASHINGTON [Code Section 19.100.180]. WISCONSIN [Stat. Section 135.03] In addition, the

provision for termination upon bankruptcy may not be enforceable under current federal bankruptcy law (11 U.S.C. Section 101, et seq.). With respect to franchises located in Minnesota, the Franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5 which require, except in certain specified cases, that a Franchisee is given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. To the extent any of the provisions regarding notice of termination or change in the Agreement are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply. The Rhode Island Franchise Investment Act, Section 19-28.1-14, provides that provisions in a franchise agreement restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. These and other states may have court decisions that may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.

#### **ITEM 18**

##### **ARRANGEMENTS WITH PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

#### **ITEM 19**

##### **EARNINGS CLAIMS**

FM does not furnish or authorize its salespersons to furnish any oral or written information about the actual or potential sales, costs, income or profits of a Furniture Medic Franchised Business. Actual results vary from franchise to franchise and we cannot estimate the results of any particular franchise. If you receive any financial performance information or projections of your future income, you should report it to the franchisor's management.

(The remainder of this page intentionally left blank.)

**ITEM 20**

**LIST OF OUTLETS  
FRANCHISE STATUS SUMMARY  
FOR YEARS ENDING DECEMBER 31, 2004, 2003, and 2002, 2005, 2004 AND 2003**

| STATE                   | TRANSFER<br>04/03/0205/0<br>4/03 | CANCELED/<br>TERMINATED<br>05/04/0304/03/0<br>2 | NOT<br>RENEWED<br>04/03/0205/<br>04/03 | REACQUIRED<br>BY<br>FRANCHISOR<br>04/03/0205/04/0<br>3 | LEFT THE<br>SYSTEM/<br>OTHER<br>04/03/0205/<br>04/03 | TOTAL<br>FROM LEFT<br>COLUMNS<br>(2)<br>04/03/0205/0<br>4/03 | FRANCHISES<br>OPERATING AS<br>OF<br>12/04/5/12/034,12/<br>023 |
|-------------------------|----------------------------------|---|--|--|--|--|---|
| Alabama                 | 0/0/0                            | 0/1/0/0   |  |  | 0/0/0/4  | 0/1/0/0  | 5/4/4/4   |
| Alaska                  | 0/0/0                            | 0/0/0   |  |  | 0/0/0  | 0/0/0  | 1/1/1/0   |
| Arizona                 | 2/0/0/0                          | 1/0/1/0   | 0/0/1/0                                |  | 0/0/0  | 3/0/1/4  | 6/5/5/6   |
| Arkansas                | 0/0/0                            | 0/0/0   | 0/1/0/0                                |  |  | 0/1/0/0  | 4/5/4/4/3   |
| California              | 0/0/0                            | 1/2/4/4   | 2/5/1/0                                |  | 0/0/0/4  | 3/7/5/5  | 18/20/27/28   |
| Colorado                | 0/0/0                            | 0/4/2/3   | 0/0/1/0                                |  | 0/0/0/   | 0/4/3/3  | 10/10/11/43   |
| Connecticut             | 0/0/1/4                          | 0/0/4/0   | 1/0/0                                  |  | 0/0/1/0  | 1/0/6/4  | 5/6/6/41  |
| Delaware                | 0/0/0                            | 0/0/0   | 1/0/0                                  |  | 0/0/0  | 1/0/0/0  | 0/1/1/4   |
| District of<br>Columbia | 0/0/0                            | 0/0/0   |  |  |  | 0/0/0  | 0/0/0   |
| Florida                 | 1/1/0/0                          | 1/3/0/0   | 3/3/1/4                                |  | 0/0/0  | 5/7/1/4  | 29/37/38/36   |
| Georgia                 | 3/0/0/2                          | 2/0/1/0   | 0/1/1/0                                |  | 0/0/2/2  | 5/1/4/4  | 11/12/14/18   |
| Hawaii                  | 0/0/0                            | 0/0/0   |  |  |  | 0/0/0  | 1/1/1/4   |
| Idaho                   | 0/0/0                            | 0/0/0/4   |  |  | 0/0/0  | 0/0/0/4  | 0/1/0/0   |
| Illinois                | 0/1/0/3                          | 0/1/2/2   | 4/3/0/0                                |  | 0/0/1/0  | 4/5/3/3  | 24/25/24/26   |
| Indiana                 | 0/0/2/0                          | 3/0/1/0   | 0/0/1/0                                |  |  | 3/0/4/0  | 8/8/8/13  |
| Iowa                    | 0/0/0                            | 0/1/2/0   | 1/1/0/0                                |  |  | 1/2/2/0  | 1/2/7/9   |
| Kansas                  | 0/0/0                            | 1/3/0/2   |  |  | 0/0/0  | 1/3/0/2  | 3/3/6/5   |
| Kentucky                | 0/0/0                            | 0/0/0   | 1/0/0                                  |  | 0/0/1/0  | 1/0/1/0  | 6/7/7/8   |
| Louisiana               | 0/0/0                            | 1/1/1/0   |  |  |  | 1/1/1/0/4  | 3/4/3/3   |
| Maine                   | 0/1/2/0                          | 1/1/0/4   |  |  | 0/0/0  | 1/2/2/4  | 1/2/3/4   |
| Maryland                | 0/0/0                            | 2/0/0/4   | 0/2/0/0                                |  | 0/0/0/4  | 2/2/0/2  | 10/14/6/46  |
| Massachusetts           | 0/0/0/0                          | 0/0/0/4   | 2/2/0/0                                |  | 0/0/0/4  | 2/2/0/5  | 7/8/10/8  |
| Michigan                | 0/0/0/3                          | 0/0/0   | 0/2/1/0                                |  | 0/0/3/0  | 0/2/4/3  | 15/15/12/46   |
| Minnesota               | 0/0/0                            | 0/0/1/0   |  |  | 0/0/0  | 0/0/1/0  | 4/4/4/3   |
| Mississippi             | 0/0/0                            | 0/1/0/0   | 0/1/0/0                                |  | 0/0/0  | 0/2/0/0  | 0/1/3/3   |
| Missouri                | 0/0/0                            | 0/0/0/2   |  |  | 0/0/1/0  | 0/0/1/2  | 6/6/5/5   |
| Montana                 | 0/0/0                            | 0/0/0   |  |  |  | 0/0/0  | 1/1/1/4   |
| Nebraska                | 0/0/0                            | 0/0/0   |  |  |  | 0/0/0  | 2/3/3/2   |
| Nevada                  | 0/0/0                            | 0/0/1/4   |  |  | 0/0/0  | 0/0/1/4  | 2/2/1/2   |
| N Hampshire             | 0/1/0/0                          | 1/0/0/0   |  |  |  | 1/1/0/0  | 2/3/4/3   |
| New Jersey              | 1/0/0/0                          | 1/1/3/4   | 0/2/0/0                                |  | 0/0/0  | 2/3/3/4  | 9/11/17/17  |
| New Mexico              | 0/0/1/0                          | 0/0/1/4   |  |  | 0/0/0  | 0/0/2/4  | 5/5/5/6   |
| New York                | 0/0/0                            | 0/1/2/0   |  |  | 0/0/1/0  | 0/1/3/0  | 17/17/17/48   |
| N. Carolina             | 0/0/0                            | 0/3/1/4   | 2/2/3/0                                |  | 0/0/2/0  | 2/5/4/3  | 8/10/15/18  |
| North Dakota            | 0/0/0                            | 0/0/1/0   |  |  | 0/0/0  | 0/0/1/0  | 0/0/0/2/4   |
| Ohio                    | 1/0/0/0                          | 2/3/1/4   | 0/1/3/0                                |  | 0/0/0  | 3/4/4/4  | 13/14/17/49   |
| Oklahoma                | 0/0/0                            | 0/0/0   |  |  | 0/0/0  | 0/0/0  | 1/1/1/4   |
| Oregon                  | 0/0/0                            | 1/0/0/0   |  |  | 0/0/0  | 1/0/0/0  | 5/5/5/3   |
| Pennsylvania            | 1/0/1/0                          | 3/3/3/4   | 1/0/0/4                                |  | 0/0/1/0  | 5/3/5/2  | 17/18/20/22   |
| Rhode Island            | 0/1/0/0                          | 0/1/0/0   |  |  |  | 0/2/0/0  | 3/4/4/4   |
| S. Carolina             | 0/0/0                            | 0/2/0/0   | 0/1/0/0                                |  | 0/0/0  | 0/3/0/0  | 4/4/7/7   |
| South Dakota            | 0/0/0                            | 0/0/0/4   |  |  |  | 0/0/0/4  | 1/0/0/0   |
| Tennessee               | 0/1/0/0                          | 0/1/0/4   | 0/1/1/0                                |  | 0/0/0  | 0/3/1/4  | 11/10/11/40   |
| Texas                   | 0/0/0                            | 3/0/1/2   | 3/2/2/0                                |  | 0/0/0  | 6/2/3/2  | 19/24/26/28   |
| Utah                    | 0/0/0                            | 0/1/0/0   | 1/0/2/0                                |  |  | 1/1/2/0  | 2/3/4/6   |
| Vermont                 | 0/0/0                            | 0/0/0   | 1/0/0                                  |  |  | 1/0/0/0  | 1/2/2/2   |
| Virginia                | 1/0/0/0                          | 1/2/1/4   | 0/6/3/0                                |  | 0/0/1/0  | 2/8/4/2  | 11/12/22/24   |
| Washington              | 1/0/1/0                          | 1/0/1/0   | 1/2/0/0                                |  |  | 3/2/2/0  | 6/9/10/11   |
| West Virginia           | 0/0/0                            | 0/0/0   |  |  | 0/0/0  | 0/0/0  | 1/1/1   |
| Wisconsin               | 0/0/0                            | 1/2/2/5   | 3/1/0/0                                |  | 0/0/0  | 4/3/2/5  | 8/10/12/42  |
| Wyoming                 |                                  |   |  |  |  | 0/0/0  | 0/0/0   |
| Totals                  | 11/6/8/6                         | 27/38/36/41                                     | 27/39/21/2                             |  | 0/0/11/8   | 65/83/76/57  | 328/391/425/46<br>0   |

**Notes:**

- 1) The numbers in the "Total" column may exceed the number of franchises affected because several events may have affected the same franchise. (For example, the same franchise may have had multiple owners.)
- 2) Attached as Exhibit H is a listing of all Furniture Medic franchisees with the addresses and telephone numbers of all their outlets.
- 3) Also attached as Exhibit I is a listing of the name, home address and home telephone number of every franchisee who has had a franchise transferred, terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business during the last fiscal year or who has not communicated with Furniture Medic within 10 weeks of this offering circular.

**PROJECTED OPENINGS FOR 2005 2006**

**As of December 31, 2005**

**2004**

| STATE          | Franchise Agreements Signed<br>but not Operational | Projected Franchise<br>Agreements in 2005 | Projected Company Owned<br>Operations in 2005 |
|----------------|--|---|---|
| Alabama        |  | 1   |   |
| Alaska         |  | 0   |   |
| Arizona        |  | 1   |   |
| Arkansas       |  | 1   |   |
| California     | 2  | 3   |   |
| Colorado       |  | 2   |   |
| Connecticut    |  | 1   |   |
| Delaware       |  | 0   |   |
| Florida        |  | 32  |   |
| Georgia        |  | 2   |   |
| Hawaii         |  | 0   |   |
| Illinois       | 2  | 32  |   |
| Indiana        |  | 1   |   |
| Iowa           |  | 0   |   |
| Kansas         |  | 1   |   |
| Kentucky       |  | 1   |   |
| Louisiana      |  | 2   |   |
| Maine          |  | 0   |   |
| Maryland       |  | 0   |   |
| Massachusetts  | 4  | 2   |   |
| Michigan       | 21   | 21  |   |
| Minnesota      |  | 2   |   |
| Mississippi    |  | 1   |   |
| Missouri       |  | 1   |   |
| Nebraska       |  | 1   |   |
| Nevada         | 4  | 1   |   |
| New Hampshire  |  | 0   |   |
| New Jersey     | 1  | 1   |   |
| New Mexico     |  | 0   |   |
| New York       |  | 2   |   |
| North Carolina |  | 1   |   |
| North Dakota   |  | 0   |   |
| Ohio           |  | 1   |   |
| Oklahoma       |  | 1   |   |
| Oregon         |  | 1   |   |
| Pennsylvania   | 4  | 2   |   |
| Rhode Island   |  | 0   |   |
| South Carolina |  | 1   |   |
| South Dakota   |  | 0   |   |
| Tennessee      | 4  | 21  |   |
| Texas          |  | 2   |   |
| Utah           |  | 1   |   |
| Vermont        |  | 0   |   |
| Virginia       | 2  | 21  |   |
| Washington     |  | 2   |   |

|               |    |      |   |
|---------------|----|------|---|
| West Virginia |    | 0    |   |
| Wisconsin     |    | 1    |   |
| Wyoming       |    | 0    |   |
| TOTAL         | 44 | 5247 | 0 |

**STATUS OF COMPANY OWNED STORES  
FOR THE YEARS 2004, 2003, and 2002 2005, 2004 AND 2003**

Furniture Medic does not operate any company owned stores at this time.

**ITEM 21**

**FINANCIAL STATEMENTS**

The following financial statements are attached as Exhibit F:

The ServiceMaster Company and subsidiaries audited consolidated financial statements for the years ended December 31, ~~2004, 2003 and 2002~~ 2005, 2004 and 2003

~~The ServiceMaster Company and subsidiaries unaudited consolidated financial statements for the quarter ending September 30, 2005.~~

The ServiceMaster Company has absolutely and unconditionally guaranteed to assume the duties and obligations of Furniture Medic under the Franchise Agreement should Furniture Medic become unable to perform its duties and obligations.

**ITEM 22**

**CONTRACTS**

This offering circular contains the following contracts:

Exhibit D - SMAC Business Note and Security Agreement and related documents

Exhibit G - Franchise Agreement and related documents

Exhibit M – QFR Application

Exhibit N – QFR RESPOND Agreement

(The remainder of this page is intentionally blank.)



**ITEM 23**

**ACKNOWLEDGMENT OF RECEIPT**

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY. IF FURNITURE MEDIC OFFERS YOU A FRANCHISE, FURNITURE MEDIC MUST PROVIDE THIS OFFERING CIRCULAR TO YOU THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; -OR
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO FURNITURE MEDIC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF FURNITURE MEDIC DOES NOT DELIVER THIS OFFERING CIRCULAR 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 TO THE APPROPRIATE STATE AGENCY.

See Exhibit B for Furniture Medic's agent for service of process in your state.

I have received a Uniform Franchise Offering Circular dated ~~January 17~~ March 31, 2006. This offering circular included the following Exhibits:

~~Exhibit A - State Franchise Administrators~~  
~~Exhibit B - Agents for Service of Process~~  
~~Exhibit C - Inventory and Equipment Opening Package~~  
~~Exhibit C-1 - Inventory of Optional Kits~~  
~~Exhibit D - SMAC Business Note and Related Documents~~  
~~Exhibit E - SCOR Table of Contents~~  
~~Exhibit F - The ServiceMaster Company and subsidiaries consolidated financial statements~~

~~Exhibit G - Franchise Agreement~~  
~~Exhibit H - Franchisee listing~~  
~~Exhibit I - Listing of former franchisees~~  
~~Exhibit J - Training Schedule~~  
~~Exhibit K - Furniture Medic Trademarks~~  
L - Lead Referral Broker Information  
M - QFR Application  
N - QFR Agreement  
~~Also, enclosed - State addendum if applicable~~

\_\_\_\_\_  
Franchisee Signature \_\_\_\_\_ Print Name \_\_\_\_\_ Date

\_\_\_\_\_  
Franchisee Signature \_\_\_\_\_ Print Name \_\_\_\_\_ Date

(PLEASE SIGN THE ~~BLUE~~ GREEN COPY OF THIS ACKNOWLEDGMENT AND RETURN IT TO FURNITURE MEDIC AND KEEP THE OTHER COPY FOR YOUR RECORDS. THANK YOU.)

## ITEM 23

### **ACKNOWLEDGMENT OF RECEIPT**

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY. IF FURNITURE MEDIC OFFERS YOU A FRANCHISE, FURNITURE MEDIC MUST PROVIDE THIS OFFERING CIRCULAR TO YOU THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO FURNITURE MEDIC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF FURNITURE MEDIC DOES NOT DELIVER THIS OFFERING CIRCULAR 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 TO THE APPROPRIATE STATE AGENCY.

See Exhibit B for Furniture Medic's agent for service of process in your state.

I have received a Uniform Franchise Offering Circular dated ~~January 17~~ March 31, 2006. This offering circular included the following Exhibits:

~~Exhibit A~~ - -State Franchise- Administrators  
~~Exhibit B~~ - -Agents for Service of Process  
~~Exhibit C~~ - Inventory and Equipment Opening Package  
~~Exhibit C 1~~ - ~~Inventory of Optional Kits~~  
~~Exhibit D~~ - SMAC Business Note and ~~Related Documents~~ Security Agreement  
~~Exhibit E~~ - SCOR Table of Contents  
~~Exhibit F~~ - The ServiceMaster Company and subsidiaries consolidated financial statements

~~Exhibit G~~ - Franchise Agreement  
~~Exhibit H~~ - Franchisee listing  
~~Exhibit I~~ - Listing of former franchisees  
~~Exhibit J~~ - Training Schedule  
~~Exhibit K~~ - Furniture Medic Trademarks  
L - Lead Referral Broker Information  
M - QFR Application  
N - QFR Agreement  
Also, ~~enclosed~~ is State addendum if applicable

\_\_\_\_\_  
Franchisee Signature \_\_\_\_\_ Print Name \_\_\_\_\_ Date

\_\_\_\_\_  
Franchisee Signature \_\_\_\_\_ Print Name \_\_\_\_\_ Date

## **EXHIBIT A**

### **LISTING OF STATE FRANCHISE ADMINISTRATORS**

#### **CALIFORNIA**

Department of Corporations  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013  
213/7576-7500

#### **CONNECTICUT**

John P. Burke  
Banking Commissioner  
260 Constitutional Plaza  
Hartford, CT 06103  
203/240-8233

#### **FLORIDA**

Division of Consumer Services  
Dept. of Agriculture & Consumer Services  
2005 Apalachee Pkwy  
Tallahassee, FL 32399-6500  
800/435-7325

#### **HAWAII**

Mark E. Recktenwald, Director  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 204  
Honolulu, HI 96810  
808/586-2727

#### **ILLINOIS**

Franchise Examiners  
Office of Attorney General  
500 S. Second Street  
Springfield, IL 62706  
217/782-4465

#### **INDIANA**

Securities Commissioner  
Indiana Securities Division  
302 W. Washington Street, Room E-111  
Indianapolis, IN 46204  
317/232-6681

#### **MARYLAND**

Securities Commissioner  
Securities Division  
Office of the Attorney General  
200 St. Paul Place  
Baltimore, MD 21202-2020  
410/576-6360

#### **MICHIGAN**

Franchise Administrator  
Consumer Protection Division  
670 Law Building  
Lansing, MI 48913  
517/373-7117

#### **MINNESOTA**

Ann Hagestad/Vanessa Beaudry  
Commerce Analyst  
Minnesota Dept. of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, MN 55102-2198  
651/296-4026

#### **NEW YORK**

Franchise Section  
Bureau of Investor Protection & Securities  
New York State Dept. of Law  
120 Broadway, 23<sup>rd</sup> Floor  
New York, NY 10271  
212/416-8211

#### **NORTH DAKOTA**

Diane Lillis  
Franchise Examiner  
Office of Securities Commissioner  
600 East Boulevard, 5<sup>th</sup> Floor  
Bismarck, ND 58505-0510  
701/328-2910

#### **RHODE ISLAND**

Steven G. Kagan, Securities Examiner  
Securities Division  
Department of Business Regulation  
233 Richmond Street, Suite 232  
Providence, RI 02903-04232  
401/222-3048