FRANCHISE DISCLOSURE DOCUMENT
®

(NR)

System4, LLC
(an Ohio Limited Liability Company)
DBA SYSTEM4®
4700 Rockside Road
Suite 601
Independence, Ohio 44131
(216) 524-6100
Website:www.system4.com
Email: info@system4.com

System4 LLC is engaged in the business of franchising others ("Franchisees") to use the "System4" process to establish a Facility Services Management (FSM) business in which Franchisees will provide a variety of services to commercial businesses and government facilities within their designated territory. Franchisees will provide the Authorized Services within a designated area ("Franchise Territory") in one or both of the following 2 ways ("Delivery System"): (1) through employees, and/or (2) through subcontractors with whom the Franchisee establishes a contractual relationship. Franchisees are prohibited from offering or selling any subfranchises or unit franchises to provide Authorized Services.

The estimated total investment necessary to begin operation of System4® franchise ranges from $157,000 - $377,000. This includes $125,000 to $300,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact System4, LLC at 4700 Rockside Road, Suite 610, Independence, Ohio 44131 and (216) 524-6100.

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

Buying a franchise is a complex investment. The information in this document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 21, 2022

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F and G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only System4 business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a System4 franchisee?	Item 20 or Exhibits F and G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, or litigation only in Ohio. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in Ohio than in your own state.
2. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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A.5 Telephone Number, Intranet Domain Name and E-mail Address Assignment

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C - List of State Administrators

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G - List of Franchisees Who Left the System in 2021

H – State Addenda

ITEM 1
FRANCHISOR AND ANY PARENT, ITS PREDECESSORS AND AFFILIATES

The name of the Franchisor is System4®, LLC. In this Disclosure Document, the Franchisor will be referred to as "we," "our" or "us" and the person being granted the right to operate a Franchise will be referred to as "you" or "your." If you are a corporation, partnership, limited liability company or other entity, "you" or "your" will mean the entity and the owners of the entity.

Unless otherwise defined, all initially capitalized terms appearing in this disclosure document have the meanings given to them in your Franchise Agreement.

Franchisor's Corporate Information

We were organized as an Ohio limited liability company in March of 2004. Our principal place of business is 4700 Rockside Road, Suite 610, Independence, Ohio 44131. We do not have any predecessor or affiliate that must be disclosed in this disclosure document We are a wholly owned subsidiary of Franchise Service Concepts, LLC, which is our parent with a principal place of business at 4700 Rockside Road, Suite 610, Independence, Ohio 44131. We do not have any other business activities.

We do business under the name System4® and currently do not have intentions to use any other names to conduct business.

Our agents for service of process are disclosed in Exhibit D.

Parents and Predecessors

We have no parent. We have no predecessors from whom we acquired, directly or indirectly, the major portion of our assets within the past 10-year period.

Franchisor's Business

We franchise the operation of a facility services management (FSM) business known as "System4®."

The Franchised Business

We offer Franchises to you ("Franchisee), to provide the following services ("Authorized Services") to commercial businesses and government facilities under the "System4®" names and marks: Janitorial, Carpet Cleaning, Window Washing, Pressure Washing, Hard Surface Floor Care, Landscaping, Parking Lot Sweeping, Pest Control, Painting, Handyman Services, Construction Cleanup, Snow Removal, Light Bulb Replacement, Document Shredding, HVAC, Plumbing, Electrical, Recycling Services, Hood Cleaning, and Restroom Sanitizing. We license you to use the "System4 Licensed Methods," which are processes that include proprietary software and methods with a distinctive plan for establishing, implementing, operating, and promoting the Franchise Operation which provides Facility Services Management. These methods utilize sub-contracting; customer relations; sub-contractor and customer relationship development and management; marketing techniques; advertising; sales techniques; written promotional materials; Operations Manual contents and accounting systems that are used to operate the Franchise.

You provide the Authorized Services within a designated area ("Franchise Territory") in one or both of the following 2 ways ("Delivery System"): (1) through your own employees, and/or (2) through sub-contractors with whom you establish a contractual relationship. You are prohibited from offering or selling any sub franchises or unit franchises to provide Authorized Services.

We are not aware of any special laws covering your ability to utilize sub-contractors to perform these various services. However, every municipal body or state may have local laws governing the right to do business in their locale.

You will be known as "System4®." We franchise you to use certain trademarks, service marks, advertising and other commercial symbols ("Marks"), but you may not allow your sub-contractors to use the Marks.

The market for your services consists of businesses that need one or more "authorized services" listed above. The market for these services varies depending on the specific service, from emerging, to competitive, to well developed and highly competitive.

General Market and Competition

Your competitors include other companies and individuals that provide facility services management, and potentially any other services listed above as "authorized services", franchise companies and other national cleaning companies.

We have offered the System4® Franchises since March of 2004. We have not offered franchises in any other line of business.

We have conducted a business of the type to be operated by our Franchisees since March of 2004.

ITEM 2
BUSINESS EXPERIENCE

Phillip W. Kubec - President/CEO

Mr. Phillip Kubec has served as our CEO/President since its formation on March 30, 2004, in Independence, Ohio.

Scott P. Kubec – COO

Mr. Scott Kubec has served in a capacity as COO since January 1, 2020 in Independence, Ohio. Prior to that Mr. Kubec served as Vice President from August 1, 2017 to December 31, 2019. From January 2012 to December 201, Mr. Kubec served as the Franchise Business Development Manager in Independence, Ohio.

Jacqueline Sackett- Director of Financial Administration

Mrs. Sackett has served as Director of Financial Administration since January 1, 2020. Prior to this, Mrs. Sackett served as the Director of Franchise Administrative Support in Independence, Ohio from August 2017 to January 1, 2020. Mrs. Sackett served as Director of Finance for the PDK Group Inc. in Bath, Ohio from February 2012 to July of 2017.

Mark Petersen- Director of Repair and Maintenance

Mr. Petersen has served as Director of the Repair and Maintenance in Independence, Ohio since February 2018. From May, 2015 to April, 2018 Mr. Petersen was Co-Owner of Peterson Design Studious PLLC in Mayfield, Ohio, a SEO Web Design Company. Mr. Petersen also served as the Manager of Customer Service at Quintex, DME Inc. in Euclid, Ohio from May 2010 to December 2017.

Blake Naegle-Director of Field Support

Mr. Naegle has served as Director of Field Support in Independence, Ohio since January, 2020. From October, 2015 to January, 2020 Mr. Naegle served as General Manager for Facilicorp, Inc. d/b/a System4 of Northeast Ohio.

Bryan Moledor- Director of National Account Sales

Mr. Moledor serves as Director of National Account Sales in Independence, Ohio since September 2018. Prior to that Mr. Moledor served as Senior Manager/Director, REO Client Account Management at Safeguard Properties in Valley View, Ohio. From September 2016 – August 2018 Mr. Moledor also served as Manager REO Client Accounts at Safeguard Properties in Valley View, Ohio from July 2013- September 2016.

ITEM 3
LITIGATION

Concluded

Edson Teles Machado, et al v. System4, LLC, et al, Norfolk County Massachusetts Superior Court, Civil Action No. 10-00555, styled as a purported class action complaint against System4, LLC

(System4) and its Master Franchisee, NECCS, Inc. (NECCS).The complaint alleged (i) that System4 and NECCS breached the Franchise Agreements with Plaintiffs by failing to provide Plaintiffs with the business required to be offered under the Plaintiffs' respective Franchise Agreements and by taking accounts away from Plaintiffs "for no reason"; (ii) that System4 and NECCS defrauded Plaintiffs in connection with the execution of their Franchise Agreements by representing that System4 and NECCS had sufficient business to satisfy their obligations when, according to the Complaint, they did not, and by promising that cleaning accounts would be "geographically convenient to one another" and to the franchisees' homes; and (iii) that System4 and NECCS "misclassified" the Plaintiffs as independent contractors when they were really employees. The claims include alleged violations of MGL c.93A, §9 as well as claims asserted as private attorneys general under MGL c. 152, §25C(11). These allegations were denied by System4 and NECCS.

System4 appealed the trial court's decision to the Massachusetts Appeals Court. On May 1, 2014, the Plaintiffs' petition for direct appellate review by the SJC was granted. On April 13, 2015, the SJC issued a decision affirming the trial court's determination that the arbitration clause was not unconscionable and reversing the trial court's determination that the arbitration clause cannot be enforced by System4. The result of the two separate rulings of the SJC was that in order to proceed, the Plaintiffs must pursue all of their claims on an individual basis in arbitration against both System4 and NECCS. No such arbitration proceedings were filed against either System4 or NECCS.

A motion was brought before the Superior Court by System4 that would: (1) compel each Claimant that filed a Demand for Arbitration in 2016 to adhere to the mediation prerequisite that was found in his or her franchise agreement; (2) have the American Arbitration Association dismiss the 2016 Demands for Arbitration on account of the Claimants' failure to comply with the mediation prerequisite; and (3) bar the Claimants from refiling their Demands for Arbitration on account of the statute of limitations having run. A cross-motion was brought by the Plaintiffs before the Superior Court that would: (1) invalidate the class action waiver found in each franchise agreement on account of the waiver being purportedly unenforceable under the National Labor Relations Act; and (2) have all claims proceed in the Superior Court and not in arbitration. The Superior Court heard oral arguments on the motion and cross-motion on Monday, March 20, 2017. The case was dismissed by the AAA on September 14, 2017.

Luis Ribeiro v. System4, LLC, American Arbitration Association. Case No. 01-15-0003-8637, an arbitration proceeding commenced on June 12, 2015.The Claimant alleged that he was a putative class member in the Machado case and was asserting his claims in arbitration by reason of the April 13, 2015 decision of the SJC. Claimant alleged that he was misclassified as an independent contractor, that he was subjected to wage violations stemming from charging him for a job, taking illegal deductions from his pay for insurance, cleaning supplies and interest payments on notes, and failure to pay wages. Claimant also alleged negligent misrepresentation and material omissions in System4's dealings with him regarding the amount of business he would receive and the quality of the business. System4 filed an Answering Statement denying all liability, and further stating, inter alia, that it never had any contractual privity with the Claimant, never had any business dealings or communications with the Claimant, never paid and was never obligated to pay anything to Claimant, neve provided training or equipment to Claimant, never deducted any amounts from any monies due Claimant and never received and payments from Claimant. On August 23, 2016, the arbitrator issued a Memorandum of Decision on Cross Motions for Summary Judgement on Liability, finding that System4 was liable for misclassifying the Claimant, but not liable for any other claim advanced in the arbitration.

The Ruling on Claimant's Petition for Attorneys' Fees and Costs and Final Award in the amount of $78,558.77 was delivered to the parties, via e-mail, on February 17, 2017. Less than thirty days later, on March 17, 2017, System4 filed the Application of System4, LLC to Vacate Arbitration Award with the United States District Court for the District of Massachusetts (Civil Action No. 1:17-cv-10455). The Application of System4, LLC to Vacate Arbitration Award, which was supported by a motion and memorandum of law filed on March 20, 2017, sought to have the District Court vacate the final arbitration award and related findings and rulings. The motion to vacate was denied, and System4 paid the award of $78,558.77.

Marilinda Cruz v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The Claimant's allegations were substantially similar to those alleged in

the Ribeiro matter. Amarido Luis Arujo v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017.The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. Helio De Oliveira and Rosani De Oliveira v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017 The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. Petter Bruno De Souza v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter.

Poliane Santos and Stenio Ferreira v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. Glaucia Santos and Luiz Carlos Santos v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. George Lopez v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. Juan Carlos Martinez v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter. Iracema Tramontim v System4, LLC, American Mediation Association, (No Case Number Assigned), pending as of March 25, 2016. The AAA closed this case on September 14, 2017. The Claimant's allegations were substantially similar to those alleged in the Ribeiro matter.

In The Matter of System4, LLC, Administrative Proceeding before the Securities Commissioner of Maryland, Case No. 2007-0235. The Maryland Securities Commissioner ("Commissioner") concluded that grounds existed to allege that System4 violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a System4 sub-franchise. On May 30, 2007, the Commissioner and System4 agreed to enter into a consent order whereby System4, without admitting or denying any violations of the law, agreed to: immediately cease from the offer and sale of Master franchises in the State of the Maryland; amend its franchise offering in Maryland; implement new compliance procedures; and, offer rescission to the Master Franchisee who was sold a franchise to operate in Virginia as a resident in Maryland. The Master Franchisee rejected rescission and is operating its Master Franchise.

No other litigation is required to be disclosed in this item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this item.

ITEM 5
INITIAL FEES

When you sign your Franchise Agreement, you must pay an Initial Franchise Fee ranging from $125,000 - $300,000 for a Franchise Territory consisting of a specific section or sections of a Standard Metropolitan Statistical Area ("SMSA"). The amount of your Initial Franchise Fee depends on the size of the SMSA section(s) and the population in those SMSA section(s). The Initial Franchise Fee will be based on the population as determined by the latest United States Census at a rate of $1,000 per 10,000 in population, subject to a minimum Franchise Fee of $125,000. This fee grants you the right to operate within a specified area.

The Initial Franchise Fee must be paid when you sign your Franchise Agreement in a lump sum unless it is financed as described in Item 10. The fee is not refundable except for the following circumstances. If we in our sole discretion determine that you or your designated individual are unable to satisfactorily complete the initial training program, then we will have the right to terminate the Franchise Agreement. We will return the Initial Fee paid to us minus the training and other expenses we have incurred. The expenses incurred shall not exceed Ten Thousand Dollars ($10,000.00). Partial

financing is available to creditworthy franchisees up to 20% of the Initial Franchise Fee; see Item 10 of this disclosure document.

We provide a Five Thousand Dollar ($5,000.00) discount towards the Initial Franchise Fee for all Veterans.

We did not vary the franchise fees in our latest fiscal year.

ITEM 6
OTHER FEES

OTHER FEES			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Royalty Fee(1)	1% to 6.2% of Gross Sales	50% on the 15th day of the month; the balance on the last day of the month	"Net Margin" is Gross Sales Revenues minus the Direct Costs. Subject to Minimum Royalties; see Note 1 below
Late Charge failure to report Gross Sales Revenue(2), (3)	$30.00 per day	Upon payment of royalties	This will be paid when paying royalty fees. We will debit your bank account for late report fee.
Late Charge for delinquent royalty fees(2), (3)	$50.00 per day or highest interest rate allowed by law; whichever is greater	Upon payment of royalties	This will be paid when paying royalty fees. We will debit your bank account for delinquent payments.
Late Charge and Interest (2), (3)	2% interest per month on any late payment to us other than Royalty Fees	As incurred	Due on late payments.
Re-Sales Assistance Fee(2), (3)	Up to 10% of the Sale Price	As incurred	Payable to us if our assistance is utilized
Audit Fee (2), (3)	Cost of Audit plus a late charge of 2% per month on any underpayment	On Demand	You must pay this cost if our audit shows an understatement of 2% or more of your Gross Sales Revenues, or if you fail to submit required reports to us; interest payable if you understate your gross sales by any amount
Indemnification (4)	Will vary under Circumstances	As incurred	You must reimburse us if we are held liable for claims related to your operations.
Attorney Fees and Costs (2), (3)	Will vary under Circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement, and we incur legal costs and fees.

OTHER FEES			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Non-competition Violation	A fee equal to our then-current Initial Franchise Fee for each competitive business, plus 8% of its gross sales	Upon violation of the non-competition covenants	Payable only if you do not comply with the Franchise Agreement non-competition covenants.
Renewal Fee (2), (3)	$10,000	Upon approval	
Refresher Training	$300 per day for each attendee	Prior to attending Refresher Training	You must pay this fee if we determine that you are not proficient in operating your business
Additional Assistance Fee (6), (3), (2)	$300 per day plus our out of pocket costs	In advance of the service or as we otherwise specify	This fee is only for assistance at your location over and above that which we routinely provide to you at no extra charge.
Management Fee (2), (3)	3% of your Gross Sales Revenues	When billed by us	If we assume management of your business, due to abandonment, default, or death/disability, you must pay us a Management Fee equal to 3% of the Gross Sales Revenues of your business, in addition to any other fees due under your Franchise Agreement
Franchisor's Damages(4)	Net present value of all future fees following termination	When billed by us	If your Franchise Agreement is terminated due to your default, you must pay us a lump sum amount equal to the net present value of all fees that would have become due following termination of your Franchise Agreement.
"ServiceSync" Software hosting fee (7)	This fee will vary based on the number of users and the size of the Franchise, cost will be from $350 per month to over $500per month	Paid monthly to us	This is for two software programs, ServiceSync FSM and ServiceSync WOM, as well as for the storage/backup of all the data

OTHER FEES			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Late Fee for default by 10 days or more under Note	5% of amount overdue, plus interest increases to 18% per annum	When billed by us	If you are delinquent by 10 or more days in any payment due us under the Note, you must pay a late fee equal to 5% of the over-due amount, plus the interest on the Note increases to 18% per annum
Testing of Supplies and Suppliers	$500 to $1,000	As incurred	Will vary depending on Item to be reviewed
Advertising and Marketing Materials	We require that you spend a minimum of $12,000 per year on advertising in your Franchise Territory to effectively grow your business. Marketing Materials will vary by items used.	As incurred	Will be purchased from a third party
Taxes	Actual amount paid by use	When billed by us	You must reimburse us if we are required to pay any tax such as any excise, sales, state income or privilege tax that any government or governmental agency levies or imposes on us because of the physical location of the Franchise Operation or where the services are performed.
National/Regional Accounts Fee	A one-time fee not to exceed 100% of one full month of margin retention	When billed by us	This fee applies to each National/Regional Account within your territory that we give you the right to service.

OTHER FEES			
Type of Fee	**Amount**	**Due Date**	**Remarks**
Transfer Fee	$25,000	When billed by us	This fee applies if Franchisor approves the proposed transfer
ACH Returned Fee	10% of the amount returned	When billed by us	If the ACH or electronic transfer is returned, then the Franchisor may charge you 10% of the amount in additional to other banks charges incurred by the Franchisor.
Repair and Maintenance Program	A one-time fee equal to 75% of Net Margin (less service provider payment)	When billed by us	This fee applies if you elect to participate in the repair and maintenance program
Hosting Fee	Currently $350	When billed by us	You must pay, a monthly license, maintenance and hosting fee

We do not currently collect an administrative fee for servicing National/Regional accounts but may do so in the future.

Notes to Item 6 Table

Notes:

(1) You must pay us a Royalty Fee, which is the greater of the Royalty Percentage or the Minimum Royalty.

Royalty Percentage:

The Royalty percentage will be determined by calculating the "Net Margin" for all Gross Sales Revenue and sales minus the direct costs. Below are the definitions of sales and directs costs.

Gross Sales Revenue is defined as the invoice to anyone and in any way from the conduct of your Franchise Operation. This shall include, but not be a completely exhaustive list of any services, one-time services extra work, sales of supplies, equipment or goods, whether such services are performed by you, your employees, Affiliates, Service Providers and/or any type of sub-contractor. This applies to any revenues derived from any services you provide for any management or maintenance services including commercial, industrial, government, institutional and residential services. The definition of Gross Sales Revenues also includes the sale, renting or leasing or distribution of related supplies and equipment, net of any discounts, sales taxes, or other similar taxes and credits returns and allowances, returned checks, and uncollectable accounts.

Direct Costs will be defined as 3rd party costs paid by the Franchise Operation to get services and/or supplies completed so they can fulfill Work Orders from any customer. The Royalty will then be determined by the Royalty chart on Exhibit A 1.A

Royalties for "Self-Performing" Services. Royalties for Self-Performing Accounts will be 4% of Revenues. These account types will be calculated separately on the Royalty Reports.

Royalties for Services Performed Outside of Territory. Royalties for accounts serviced outside of purchased Franchise territory will be 5% of Revenues. The Franchisor must provide written permission for a franchise to service any customer accounts outside of their territory.

Net Margin will be defined as the Gross Sales Revenues minus the Direct Costs. The calculation will determine the "Net Margin Percentage".

Example as noted below:

Gross Sales Revenue		$10,000
Direct Costs (deduct)	$7,500	
Net Margin		$2,500
Net Margin Percentage	25%	

Royalty Percentage, Royalty percentage paid on the Gross Sales Revenue will be from 1 % to 6.2 % as determined by the "Net Margin" percentage in any month of reporting. The Net Margin percentages and Royalty percentages are shown in detail on Exhibit A.1.A. to the Franchise Agreement.

Royalty Percentage, Royalty percentage paid on the Gross Sales Revenue will be from 1 % to 6.2% as determined by the "Net Margin" percentage in any month of reporting. The Net Margin percentages and Royalty percentages are as follows:

Royalty Based on Net Margin

NET MARGIN			Royalty % of Sales
1.00%	to	5%	1.0%
5.01%	to	7%	1.2%
7.01%	to	8%	1.3%
8.01%	to	9%	1.5%
9.01%	to	10%	1.6%
11.01%	to	12%	1.8%

12.00%	to	13%	2.0%
13.00%	to	14%	2.1%
14.01%	to	15%	2.2%
15.01%	to	16%	2.4%
16.01%	to	17%	2.5%
17.01%	to	18%	2.7%
18.01%	to	19%	2.8%
19.01%	to	20%	3.0%
20.01%	to	21%	3.1%
21.01%	to	22%	3.3%
22.01%	to	23%	3.4%
23.01%	to	24%	3.6%
24.01%	to	25%	3.7%
25.01%	to	26%	3.9%
26.01%	to	27%	4.0%
27.01%	to	28%	4.2%
28.01%	to	29%	4.3%
29.01%	to	30%	4.5%
30.01%	to	31%	4.6%
31.01%	to	32%	4.7%
32.01%	to	33%	4.9%
33.01%	to	34%	5.1%
34.01%	to	35%	5.2%
35.01%	to	36%	5.4%
36.01%	to	37%	5.5%
37.01%	to	38%	5.7%
38.01%	to	39%	5.8%
39.01%	to	40%	6.0%
40.01%	to	41%	6.1%
41.01%		and up	6.2%

In the example above, the Net Margin Percentage is 25%, so the Royalty Percentage on the Gross Sales Revenue would be 4.5%, and the actual royalty payment due would be $370 (3.7% times $10,000).

Payment of the Royalty. For purposes of calculating the Royalty, the Gross Sales Revenues and all Direct Costs will be calculated on a calendar month beginning with the 1st day and ending with the last day of the month at midnight. All payments will be made via electronic transfer or wire transfer (ACH). If the ACH or electronic transfer is returned, then the Franchisor may charge you 10% of the amount in additional to other banks charges incurred by the franchisor.

Minimum Royalties.

You must pay the greater of the Percentage Royalty or the Minimum Royalties as noted below for the duration of the term of this Agreement. After each annual period there will be an accounting of all royalties paid. If there is a shortfall from the chart below then in the next month after the accounting is completed, we will bill you for the deficit, which you must pay us within 30 days of the invoice from us.

Months Operating	Minimum Monthly Royalty
1-12	Actual Royalty- no minimum
13-24	$1,800 average/month or $21,600 annually

25-36	$2,600 average/month or $31,200 annually
37-48	$3,400 average/month or $40,800 annually
49 and up	$4,600 average/month or $55,200 annually

(2) All fees are imposed by and payable to us except those paid to a third party, as noted above.

(3) The fees in this Item 6 are nonrefundable.

(4) You are responsible for all losses, damages, judgments, liabilities, claims, injuries, costs and expenses we incur, which arise directly or indirectly from your ownership or operation of the Franchise business, or ownership, possession or condition of motor vehicles or other property. If you, your sub-contractor or your employee is injured while servicing an account, you are solely responsible. You will defend, hold harmless and indemnify us and our respective officers, shareholders, directors, agents, and employees, and all customers that you are assigned to service, from any and all losses, damages, liabilities, claims, costs, expenses, judgments and attorney's fees in connection with any act of negligence, omission or willful conduct by you, your agent or employee, arising out of the operation of your business or work performed or not performed for any customer(s).

(6) This fee only applies to additional training you request beyond what we provide as a normal course of support for your Franchise.

(7) This fee is paid to us for monthly software operating licenses, support, and backup and hosting for our "ServiceSync" program. The fee covers all the users.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Initial Franchise Fee (1)	$125,000 to $300,000	Cash or Cash and Note	At Signing of Franchise Agreement	Us
Training Expense(2)	$1,000 to $3,000	As Incurred	As Incurred	Third Parties
Three Months' Rent & Security Deposit (3)	$1,500 to $5,000	Lump Sum	As specified in lease	Your Landlord
Leasehold Improvements, Furniture, Equipment and Supplies(4)	$1,000 to $2,000	As Incurred	As Incurred	Third Parties

YOUR ESTIMATED INITIAL INVESTMENT				
Type of Expenditure	**Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Computer Hardware, Software and Associated Items (5)	$2,000 to $5,000	As Incurred	As Incurred	Third Parties
Insurance (6)	$1,500 to $2,000	As Agreed	Before opening as incurred	Third Parties
Legal, Accounting and License fees (7)	$2,000 to $5,000	As Incurred	Before opening as incurred	Third Parties
Initial Advertising (8)	$1,000 to $3,000	As Incurred	As Incurred	Third Parties
Software/Equipment update or replacement	Actual costs of updates or replacements, which could exceed $2,000	At the time of update and or replacement	Paid to third party vendors	Software/Equipment update or replacement
Liability Insurance (10)	Will vary by insurance carrier	Before opening and then as required by the insurance company	You must purchase insurance in the amounts and with the coverage (at a minimum) that we specify. See Item 11.7	Liability Insurance (10)
Additional Funds 3 Months (9)	$20,000 to $50,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (11)	**$157,000 to $377,000**			

Notes to Item 7 Table

None of the fees in the Item 7 table payable to us are refundable. Some of the fees payable to third parties may be refundable, depending on your arrangement with those third parties.

(1) The initial Franchise Fee will range from $125,000 to $300,000 for a Franchise Territory depending on the total population of the territory, but subject to a minimum of $125,000. The initial franchise fee is discussed in Item 5. We offer financing for a portion of the initial franchise fee at 12% interest as described in Item 10.

(2) You will incur expenses for travel and living expense during training. The cost varies due to the number of people you will have attending the training and the level of accommodations to which you are accustomed.

(3) You must operate a Franchise Operation (Franchised Office) within the Franchise Territory. You shall maintain a commercial address, which in months 1 to 6 can be a virtual office. Starting in month 7 you must maintain an actual commercial office with a minimum of 150 square feet. This can be located in a shared office environment and does not have to be a dedicated stand-alone location.

(4) This item includes telephone installation, telephone deposit, copier, fax machine, office furniture, wall map, business leads, logos and supplies. The estimates assume your office provides most of these items as part of the office lease.

(5) This will include computers, printers, software installation, network configuration, implementation fee and miscellaneous items required for the implementation of our proprietary software.

(6) We currently require you to carry the insurance policies, with the coverage and amounts as described in Item 8.

(7). The requirements for legally operating a Franchise company vary greatly. These requirements may include obtaining a business license from local authorities and/or from the applicable state or federal agency. You should review the legal requirements of operating in the area granted to you and obtain an estimate of the costs you will incur before you enter into the Franchise Agreement. You should have your attorney and accountant review all of the franchise documents and advise you on the start-up. This range of estimated costs includes accounting, legal, incorporation, and other professional expenses that you may incur in connection with any review of your Franchise Agreement or the establishment of your corporate entity. Other fees considered in this category include the costs associated with obtaining business licenses and permits and other "soft" costs incurred by you. Professional fees vary dramatically depending on the individual or firm, the market, and the experience of the professionals. You must pay business license fees and other similar fees before commencing operations of your Franchised Business. Such fees will vary depending upon local or state government requirements

(8) You will incur costs advertising for prospective employees. The cost varies due to the cost of local advertising.

9) This is an estimate of the expenses you will incur during the 3-month initial phase of operations. This amount of working capital is projected as sufficient to cover operating expenses for three months, including employee salaries and overhead. You should not assume that you will break even by the end of the 3-month period, and you may need amounts in excess of the estimated amounts before your business breaks even. NOTE: These figures do <u>not</u> include draw or salary for you. You should have additional sources for payment of personal living expenses. We have compiled these estimates based on the experience of our Franchisees in establishing System4 Franchise Operations.

(10) You must purchase insurance in the amounts and with the coverage (at a minimum) that we specify. See Item 11 for a description of the minimum insurance coverage and amounts currently specified by us.

(11) You should review these figures carefully with your accountant or business advisor before making a decision to enter into the Franchise Agreement.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Specifications and Suppliers

You must purchase your computer hardware as specified in Item 11 below to this disclosure document. You must license from us our proprietary Software ("ServiceSync"), System4 Playbooks, User Guides, Billing and Subcontractor Software. We own the proprietary software. In addition to our proprietary software, you must purchase QuickBooks Online software. We do not derive any revenue from your purchase of computer hardware or software. We will derive revenue for hosting the ServiceSync software.

In fiscal year 2021, we derived less than $250,000 in revenue for software licenses by our Franchisees, representing less than 2% of our total revenue in 2021 of $12,477,091. These figures are from our audited financial statements for the year ended December 31,2021.

As of the date of this Franchise Disclosure Document, there are no other goods, services, supplies, fixtures, equipment, inventory, computer systems or real estate which you must purchase from us or any designees, or in accordance with specifications.

Neither the Franchisor nor any of its affiliates are approved suppliers or the only approved supplier of products and services provided.

However, we reserve the right in the future to require you to purchase additional items from us, our designated sources, approved suppliers, or in accordance with specifications. If we do so, the following will apply:

- We will at that time provide you standards, specifications and names of approved suppliers upon request;
- We may derive revenue or other material consideration from your purchases from us or our designated source in the future;
- We may subsequently modify the standards and specifications and the list of approved suppliers;
- If you propose to purchase or lease any equipment, supplies, advertising materials or other products or services not previously approved by us or from suppliers not previously approved by us, you must submit to us a written request for approval or request the supplier to do so itself, prior to your use of the item. We will notify you in writing of the approval or disapproval of the supplier within 90 days of your submittal. We will issue you its criteria for approving suppliers upon written request;
- We reserve the right to revoke our approval of any item at any time upon written notice to you, provided that you may continue to use all remaining items as of the date of receipt of written notice from us.

There are no approved suppliers in which any of our officers or any officers of an Affiliate, or a director of either the Franchisor or Affiliate, have an ownership interest.

Other than hosting revenue from your license of the ServiceSync software, we and our affiliates will not derive any income as a result of your required purchases or leases or as a result of purchases or leases made in accordance with our specifications.

Supplier Rebates

In 2021, we did not receive any revenue as a result of your required purchases or leases or as a result of your purchases or leases made in accordance with our specifications.

The estimated proportion of the required purchases and leases by you to all purchases and leases made by you in establishing and operating the franchise business is less than 10%.

There are currently no purchasing or distribution cooperatives that you must participate in. We do not discriminate among our Franchises based upon a particular Franchisee's use of an approved supplier.

On occasion we do negotiate purchase arrangements with suppliers, including price terms, for the benefit of the Franchisees.

We do not provide material benefits to Franchisees based on the Franchisee's purchase of particular products or services or use of particular suppliers.

Insurance

You must carry insurance meeting the following minimum specifications:

A. General liability insurance policy covering bodily injury, property damage and non-owned motor vehicles having a combined single limit of at least $1,000,000 per incident and $2,000,000 aggregate.

B. Workers compensation insurance policy in accordance with state law.

C. Guaranteed Asset Protection (GAP) Insurance. This insurance shall cover the Franchisee in the case of a sub-contractor's insurance policy lapsing and/or is deficient in coverage for any claim the sub-contractor's insurance coverage would or would have been liable for.

D. Umbrella Coverage in the amount of Two Million Dollars ($2,000,000).

The insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from an insurer carrying an A.M. Bests' rating of "A" or better. All of the required policies of insurance shall name Franchisor as additional insured on a primary basis and provide for thirty (30) days advance written notice to Franchisor of their cancellation or modification.

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 disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection & acquisition Lease	Sections 6.1, 9.1	Items 7, 11
b. Pre-opening purchases and leases	Sections 6.2	Items 7, 8
c. Site development and other opening issues	Sections 3.1, 6.2,6.4	Items 5, 7

d. Initial and on-going training	Section 7	Item 11
e. Opening	Sections 6.5	Items 7, 11
f. Fees	Sections 4 and 5	Items 5, 6, 7
g. Compliance with standards and policies/operating manual	Sections 8,11 and 13	Items 11, 14
h. Trademarks and proprietary information	Section 14	Items 8, 13, 14
i. Restrictions on products /services offered	Section 13.3	Items 8, 16
j. Warranty and customer service requirements	Sections 8 and 11	Item 11
k. Territory development and sales quotas	Section 11.1, 6	Item 12
l. On-going product / service purchases	Section 13	Item 8, 16
m. Maintenance, appearance and remodeling requirements	Sections 6, 8, 11 and 13	Items 11, 17
n. Insurance	Sections 13.6 11.7	Items 6, 7, 8
o. Advertising	Sections 12	Items 6, 7, 11
p. Indemnification	Sections 14.1 (E), 19.1(B), 19.3	None
q. Owner's participation / management / staffing	Sections 7, 11.5, 13.5	Item 15
r. Records / reports	Section 15	Item 6
s. Inspections / audits	Sections 13.2, 15.4	Items 6, 17
t. Transfer	Section 16	Item 17
u. Renewal	Section 17	Item 17
v. Post-termination obligations	Section 18.6	Item 17
w. Non-competition covenants	Section 20	Item 17
x. Dispute Resolution	Sections 21	Item 17
y. Other		

ITEM 10
FINANCING

We may offer you financing for up to 20% of your Initial Franchise Fee if you meet our qualifications. We do not offer any other direct or indirect financing. The following table summarizes the financing we may offer you for a portion of the Initial Franchise Fee.

Item Financed	Portion of your initial Franchise Fee
Source of Financing	Us
Down Payment	At least 80% of your initial Franchise Fee
Amount Financed	Up to 20% of your initial Franchise Fee
Term (number of years)	1 to 3 years
Interest rate	12% per annum
Amount of Monthly Payment	Varies depending on amount financed
Prepayment Penalty	None
Security Required	Security interest in all your business assets
Guarantee	Personal guarantee from your owners
Consequences of late payment (if not paid within 10 days of due date)	Late fee equal to 5% of amount overdue. In addition, the interest rate increases to 18% of entire unpaid balance
Liability upon Default	Termination of Franchise; you must pay entire amount due; you must pay our attorneys fee and court costs in collecting debt
Loss of Legal Rights Upon Default	None

The Note does not require you to waive defenses or other legal rights, nor does it bar you from asserting a defense against us as the lender.

We do not guarantee your note, lease or obligation. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party. We and our affiliates do not receive any direct or indirect payments or other consideration from any person for the placement of financing with the lender.

A copy of our Installment Collateral Note appears in this Disclosure Documents Exhibit A.4

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations

1. Designate the Franchise territory. (Franchise Agreement Section 3 and Exhibit A.).

2. Provide assistance and general criteria for your site (Franchise Agreement Section 9.1.A)

3. Make available to Franchisee access to designated computer software programs, procedure documentation maintained in physical procedures manuals, video content, internet accessible programs ("ServiceSync User Guides" or "Playbook"), cloud storage programs ("DropBox or One Drive" or "SharePoint") or other forms as available and utilized by Franchisor. Franchisee agrees and shall comply with the Operations Procedures as an essential part of its obligations under this Agreement. (Section 8 of Franchise Agreement).

4. Train you to operate the Franchise Operation, which will include in classroom, in field and post opening training. (Sections 7 and 9 of Franchise Agreement).

We do not provide you with assistance with providing equipment, signs, fixtures, opening inventory, and supplies. There are no required or approved suppliers for these items, nor are there specifications for them. If you need any of these items, you may obtain them from any supplier you choose.

Obligations After Opening. During your operation of the Franchise Operation, we will:

1. Give you reasonable assistance and advice, as necessary in our discretion, for the operation of the Franchise Operation. (Section 10 of Franchise Agreement).

2. Give you access to advertising and promotional materials we develop, the cost of which items we may pass on to you at our option (Section 10 of Franchise Agreement).

3. Have available upon your request, telephone consultation regarding the continued operation and management of the Franchise Operation, and customer relations issues. (Section 10 of Franchise Agreement).

4. On-going updates and information and programs regarding the Franchise Operation business, related Licensed Methods, including information about special or new services or products developed and made available to Franchisees of Franchisor. (Section 10.1.g. of Franchise Agreement)

Site Selection

We provide assistance related to selecting an office site for your Franchised Location. Our assistance will consist of, at a minimum, providing general criteria for advising you in your site selection (Franchise Agreement Section 9.1.A). We will approve or disapprove your proposed site within 14 days of the date you furnish us all information we request regarding the site. The factor we use in evaluating a proposed site is whether it is in a professional business environment. If you and we do not agree on your proposed site, you must locate another site and submit it to us for approval.

Length of Time Before Opening:

You must work diligently to open for business in a timely manner. We estimate that the length of time between execution of the Franchise Agreement and the opening of your Franchise Operation to be approximately 1 to 2 months. The factors that may affect the time period are (i) your ability to attend and satisfactorily complete training; (ii) the time to obtain the necessary computer equipment; (iii) the time to obtain the required insurance; (iv) the time to obtain the required licenses or permits if required by your local authorities. If you do not begin operation of your Franchise Operation within 4 months after you sign the Franchise Agreement, (Section 6.5 of Franchise Agreement). We will have the right to terminate the Franchise Agreement. However, we can mutually agree to extend the time frame.

Advertising

We do not have any marketing or advertising fund to which you must contribute. You do not have to participate in an advertising cooperative of any type. We require that you spend a minimum of $12,000 per year on advertising in your Franchise Territory to effectively grow your business.

You must submit to us, for our approval, samples of all materials to be used for local advertising, unless they have been approved before or they consist only of materials we provide. All materials

containing Proprietary Marks must comply with the specifications in the Manuals and in compliance with Section 12 of the Franchise Agreement. All advertising and promotional material must be approved for use by us prior to your use. All advertising and promotional materials you use, including print, television, radio, Internet, computerized media and electronic media (such as for example, the World Wide Web, the Internet, new groups, bulletin boards, e-mail, social networks, Facebook, Twitter), and any other media, must be completely factual, dignified, and comply with the highest standards of ethical advertising and policies we prescribe, as well as with all applicable laws.

You specifically acknowledge and agree that you are not permitted to have or advertise on any website other than one we approve, monitor and control.

We may establish an affiliate to administer advertising and promotional programs.

Computer System

You must use the computer hardware and software system ("collectively, "Computer System") that we periodically designate to operate your franchise. The specifications for your computer hardware are listed below.

IT Computer Hardware and Software minimum specifications

(1) Laptop or Desk Top Computer per part-time or full-time employee

Processor:	Intel core I5 or better
Processor Speed:	2.6 GHz or better
Hard Drive:	500 GM
Memory:	8GB or more
Operating System:	Latest Version Available
Software:	Microsoft Office 365 Business Trial Version
Virus Protection Software	
Hardware/Other	
Printers	All-in One-Color laser

All the data used in your Franchise Operations are stored and processed in the "Cloud." Cloud computing is computation, software, data access, and storage services that is not in a specified, known or static place. Cloud computing is in contrast to processing that takes place in one or more specific servers that are known. All your data is stored remotely on servers. The functions of the Computer System include collecting and running account sales, billing and collections, customer database, CRM, and other operational aspects of your Franchise Operations. Your computer system will handle the invoicing for your Franchise, processing collections from the customers, and managing the customer database. We estimate the cost of your computer hardware to be $2,000 to $5,000.

You must license from us our proprietary Software ("ServiceSync"), System4 Playbooks, User Guides, Billing and Franchisee Software. We own the proprietary software. You must pay, a monthly license, maintenance and current hosting fee of $350. In addition to our proprietary software, you must purchase QuickBooks Online to handle your bookkeeping and financing record-keeping functions. We estimate the current cost of purchasing QuickBooks Online to be $500 to $800 annually.

We are not obligated to upgrade and update the proprietary software you license from us. The cost to upgrade the proprietary software is included in the monthly license, maintenance and hosting fee. The monthly license and maintenance fee is subject to increase not exceeding 10% per year. We are not obligated to upgrade or update any other software or hardware.

Since all the data storage and processing occur in the "Cloud," we will have independent access to the information generated on the Computer System. There are no contractual limitations on our right to access your information.

Operations Manual

After you have signed your Franchise Agreement, we will lend you a copy of our Operations Manual or provide you access to an electronic version. The Operations Manual contains 103 pages and exists in various formats, including digital forms, and online documents. The Table of Contents to the Operations Manual is attached to this disclosure document as Exhibit E.

Training

We conduct the Franchise training program on an as-needed basis. At least 1 week before the opening of your Franchise Operation, you must satisfactorily complete our initial training course. You may bring up to 2 additional people to the initial training. Our Initial Training course consists of 2 parts: (a) approximately 3 days of classroom training at our Corporate Headquarters in Independence, Ohio, and (b) minimum of 9 days of on-site training in your location (Franchise Agreement, Sections 7.1 and 7.2) our classroom training course is scheduled to end before your scheduled opening. The on-site training may not be conducted consecutively, we anticipate the on-site training will be completed within 90 to 120 days of the opening unless otherwise agreed to.

You are not charged an additional fee for either aspect of the initial training program. You must pay for the costs of travel and living of all persons who attend the training program. You must also pay any salaries of the persons attending training. (Franchise Agreement, Section 7.1)

TRAINING PROGRAM

Subject	Hours of Classroom Training (1)	Hours of on-the-Job Training (1)	Location Where Training Held
Introduction, welcome, concept, strategy, and competition	2	0	Our headquarters in Independence, Ohio
Marketing Accounts	4	5	Our headquarters in Independence, Ohio and in your location
Account Sales and Pricing	28	4	Our headquarters in Independence, and in your location and online Web meetings
Operations Management of Sub-Contractors	8	8	Our headquarters in Independence, Ohio, and in your location and online Web meetings
Management Information Systems Billing, Collections	8	8	Our headquarters in Independence, Ohio and online Web meetings

Subject	Hours of Classroom Training (1)	Hours of on-the-Job Training (1)	Location Where Training Held
Operations Quality Control	4	8	Our headquarters in Independence, Ohio and in your location
Sales and Work Order Software Training	16	30	Our headquarters in Independence, Ohio and in your location and online Web meetings
Accounting and Financial Training	8	0	Our headquarters in Independence, Ohio
Totals	78	67	

(1) The length of time spent on each Subject will vary depending on the Franchisees experience and ability.

The Initial Training is supervised by our COO, Scott Kubec. Scott has worked for System4, LLC for over 14 years, and has experience in all facets of business operations. Other instructors are members of our management team, Phillip Kubec, Jackie Sackett, Blake Naegle, Mark Petersen and Bryan Moledor. Phillip Kubec has over 30 years' experience in training franchises, account sales, and all facets of business operations. Scott Kubec has over 15 years' experience in account sales and operational management.

The instructional materials we will use include our Operations Manual, our proprietary software, handouts and other materials we deem appropriate.

We may conduct ongoing training courses, seminars, conventions, or similar meetings ("Ongoing Training") at locations we determine. The purpose of the Ongoing Training is to present relevant business trends and share new information relating to various facility services and numerous business issues. If we give you at least 60 days' notice that your attendance is mandatory, you must attend the Ongoing Training. We will not charge a fee for you to attend Ongoing Training, but you are responsible for any and all transportation and living expenses incurred by you and your staff for attending the Ongoing Training. We will not require you to attend Ongoing Training more than 2 times in any 12-month period. The Ongoing Training sessions will not last more than 3 days each. (Section 7.2 of Franchise Agreement)

We may require you to attend Refresher Training if you demonstrate difficulty in any of the following areas.

(a) Falling below the minimum amount of royalties as outlined in Section 5.4 of the Franchise Agreement.

(b) Showing a negative growth rate for 3 or more consecutive quarters.

(c) Excessive (6 or more in a rolling 12-month period) customer complaint problems. Customers calling/emailing to the Franchisor its issues and they continue to remain unsolved and are deterring the Mark.

Under any of the above circumstances, Franchisor may give Franchisee notice that Franchisee must attend and successfully complete Refresher Training. In that event, Franchisor may charge Franchisee its then-current Refresher Training Fee. Currently the fee is $300.00 per day per attendee.

In addition, you are responsible for the travel and living expenses incurred by you and your staff for attending the Refresher Training. You must attend the Refresher Training within 30 days of receiving our notice.

ITEM 12
TERRITORY

Grant for a Specific Area

Your System4® Franchise is granted only for your specific approved location. The Franchisor does not grant you an exclusive territory.

You will be granted the exclusive right to operate one (1) Franchise Operation at a specific office location within the defined Franchise Territory. The Franchise Territory will be designated in Section 1 of Exhibit A.1 of the Franchise Agreement. The Franchise Territory will be described generally by county or city boundaries. The size of the Franchise Territory will include between 500,000 and 3,000,000 people and will depend on factors including population density, the distribution of available advertising mediums, the amount of initial franchise fee you plan to invest, and the size of the geographic area in which you wish to operate your business.

We will not grant rights or authorize any other person or entity or our own company owned outlet to locate a business operating under our Marks or Licensed Methods in your Franchise Territory.

You may not perform any services outside the Franchise Territory without our prior written consent. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to solicit or accept sales outside of your Franchise Territory.

We (on behalf of ourselves and our affiliates) retain the right, in our sole discretion:

(1) to operate, or to grant other persons the right to operate, System4 Franchised Offices at such locations outside your Franchise Territory on such terms and conditions as we deem appropriate; and

(2) to offer or provide the services authorized for System4 Franchised Offices under the Marks, either inside or outside your Franchise Territory, through such similar and dissimilar channels of distribution (including the internet, telemarketing, or other direct marketing sales) and under such terms and conditions as we deem appropriate ("alternative distribution channels"). Any such sales occurring within your "Franchised Territory" will be the Franchisees revenues provided the Franchisee manages and services the customer. If the Franchise declines to service and manage the customer, the Franchisor will provide the services and then will be entitled to a revenue as it relates to the declined customers. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We will permit the relocation of your office within the Franchise Territory, but we must approve your new location. You may not relocate your office outside your Franchise Territory.

We do not grant you options, rights of first refusal, or similar right to acquire additional franchises.

Your exclusive rights within your Franchise Territory is not contingent on your achieving performance standards. However, you must comply with the following Minimum Royalty requirement for the term of your Franchise Agreement:

Months Operating	Minimum Monthly Royalty
1-12	Actual Royalty- no minimum
13-24	$1,800 average

25-36	$2,600 average
37-48	$3,400 average
49 and up	$4,600 average

If you do not achieve the above minimum royalty payments for any reporting period, you must develop a performance plan within 30 days of receipt of our notice, which plan will realistically fulfill the minimum performance objectives. If the performance plan is in place for 6 months and you continue to fail to meet the minimum performance objectives, then you (a) have the option to stay in compliance with the agreement by paying us the amount of royalties that would be due monthly if you met the minimum performance objectives, less any royalties actually paid by you; or (b) may offer to sell the Franchise Operation to us at negotiated fair market value. If we elect not to purchase the Franchise Operation, you have the option to sell the Franchise Operation to a 3rd party within 12 months of the date of our refusal to purchase. If you do not sell the Franchise Operation within the said 12-month period, we may take any other remedial action available under the Franchise Agreement, including termination.

We have established a National Account Program, in which you may participate. If you participate in the National Account Program, you must agree to the terms and conditions we establish for that Program. We have the right to enter into National Account Agreements to provide Facility Services Management services to businesses or entities having offices or other commercial premises outside of or within the Franchise Territory. A National Account may be serviced by multiple Franchisees in different Franchise Territories, but not necessarily in all Franchise Territories. We reserve the right to establish or discontinue such a National Accounts Program; we have no obligation to do so. Under the National Accounts Program, we may engage in electronic commerce through any Internet, World Wide Web or other computer network site, or sell through any other alternative distribution channel under such National Accounts Program, to secure a Work Order for any product or service calling for delivery or performance in your Franchise Territory. We may perform on-demand services to potential National Accounts in your Franchise Territory to demonstrate capabilities. This activity does not violate your territorial protection. You have the right to service any accounts that are part of a National Account Agreement and are located within your Franchise Territory. All revenues generated from National Accounts serviced by you shall be your property, subject to the royalties, a one-time fee not to exceed 100% of one full month of margin retention, and any other fees due us. We may retain an administrative fee for National Account operational and accounting support. If you fail to service accounts to the satisfaction of the customer or decline to service any National Accounts in your Franchise Territory, you forfeit your rights to those accounts. In those instances, we will receive all rights to those accounts and may have a third-party service these accounts. We will be responsible for all the billings and customer service functions for National Accounts but do not guarantee payment by said National Accounts. Please refer to the Franchise Agreement in this Disclosure Document for further details on the National Account program as it relates to operating your Franchise.

We do not operate, franchise, or have plans to operate or franchise a business offering selling similar goods or services under a different mark.

ITEM 13
TRADEMARKS

Principal Trademark

We grant you the right to operate a Franchise under the name and mark System4® ("Mark"). You may also use other current or future Marks we may authorize in the future in connection with your Franchise Operation. By Mark we mean trade names, trademarks, service marks and logos used to identify the franchise. We registered the Mark with the United States Patent and Trademark Office ("USPTO") on February 21, 2006 on the Principal Register of the United States Patent and Trademark Office ("USPTO"), Registration Number 3,060,287, in Class Number 37. On March 23, 2012, the Patent

and Trademark Office accepted our Section 8 & 15 affidavit for the mark and on March 21, 2015, the Patent and Trademark Office accepted our Section 8 & 9 affidavit.

Currently Effective Trademark Determinations

There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the above-referenced Mark. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Mark in a manner material to you. There are no infringing uses or superior previous rights known to us that can materially affect your use of the Mark in this state of any other state in which the Franchised Business is to be located. There is no pending material federal or state court litigation regarding our use or ownership rights in any Mark.

Protection of Your Right to Use the Trademark

Under the Franchise Agreement you must notify us immediately in writing of any apparent infringement or of challenge to your use of any Mark, or claim by any person other than us of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. You may not communicate with any person other than us and our counsel in connection with such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. You further agree under the Franchise Agreement to sign any and all instruments and documents, render such assistance and do whatever may be necessary or advisable to protect and maintain our interest in any such litigation, U. S. Patent and Trademark Office proceeding or other administrative proceedings or otherwise to protect and maintain our interests in the Marks.

We agree to indemnify you against and to reimburse you for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which you are held liable in any proceedings arising out of the use of any Mark under and in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any such proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding and have otherwise complied with the Franchise Agreement.

You agree in the Franchise Agreement not to use any of our names or marks in the name of any corporation, partnership, limited liability company, or other entity you form or use in connection with the franchise or otherwise.

We may, in our sole and absolute discretion, change, modify or substitute our Mark. If we change our Mark, you must implement those changes at your expense, and we are not required to reimburse you for your costs in doing so.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

There are no registered patents or copyrights that are material to the franchise.

Our Operations Manual and other manuals contain material, which we consider to be trade secrets. We claim copyright protection for these manuals although we have not filed any copyright applications concerning them. You must follow our directions in protecting our manuals and other trade secret material from unauthorized disclosure. You must use our proprietary material only in the way we direct.

There are no currently effective material determinations of the copyright office or any court regarding any of our copyrighted or proprietary materials. There are no agreements currently in effect

that limit our rights to use or license the copyrighted or proprietary materials or any of our confidential information. We do not know of any superior prior right or infringing uses of our copyrighted materials or our proprietary information that could materially affect your use of those materials or information. We are not required by any agreement to protect or defend our copyrights or proprietary information, although we intend to protect our Licensed Methods. We will not indemnify you for losses brought by a third party concerning your use of this information.

Proprietary and Confidential Information

We can require your managers and supervisors to sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

All confidential and proprietary information is owned by the Franchisor controls the distinctive plan for establishing, implementing, operating, and promoting the Franchise Operations which provides Facility Services Management. The “Licensed Methods”, which include, but are not limited to, Facility Services Management business, which know-how is hereinafter referred to as the "Licensed Methods; which include proprietary methods and software for sub-contracting; customer relations; marketing techniques; written promotional materials and Operations Manual contents; advertising; and accounting Licensed Methods; all of which constitute trade secrets of the Franchisor. The Franchisee acknowledges that Franchisor has valuable rights in and to such trade secrets. Franchisee further acknowledges that it has not acquired any right, title, or interest in the Licensed Methods, except for the right to use the Licensed Methods in operating the Franchise Operation, and that any and all innovation, additions, or improvements made to the Licensed Methods, even if by Franchisee, shall belong to Franchisor.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You do not have to be the actual on-premises manager of the System4® Franchise Operation. However, we recommend that you do so to maintain better control over your operation. We believe that only a person with an ownership interest can adequately ensure that the standards of quality established by us are being provided to customer.

Unless we agree otherwise, your System4® Franchise Operation must be supervised by a designated manager who has taken and successfully completed our training course. Your manager does not have to have any ownership interest in your Franchise.

If you are a corporation or limited liability company, your owners, members, directors and officers must sign an agreement to personally and unconditionally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement. The owners or the designated manager must agree to maintain confidentiality of the proprietary information described in Item 14 and to conform to the covenants not to compete described in Item 17. Your partners if you are a partnership and to your spouse if you are married and your spouse is not a partner in the franchise business must sign an agreement to personally and unconditionally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must only offer services as permitted by applicable law. (“Authorized Services”) to commercial businesses and government facilities under the "System4®” names and marks: Janitorial, Carpet Cleaning, Window Washing, Pressure Washing, Hard Surface Floor Care, Landscaping, Parking

Lot Sweeping, Pest Control, Painting, Handyman Services, Construction Cleanup, Snow Removal, Light Bulb Replacement, Document Shredding, HVAC, Plumbing, Electrical, Recycling Services, Hood Cleaning, and Restroom Sanitizing.

You are not required to offer all the Authorized Services; you may select which Authorized Services you wish to offer.

There are no restrictions on our right to change authorized goods and services to be offered by you.

ITEM 17
RENEWAL, TERMINATIONS, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term Agreement	Section 17.1	The term is 20 years.
b. Renewal or extension of the term	Section 17.2	Option to renew for an additional 10-year term.
c. Requirements for franchisee to renew or extend	Section 17.3	You must give written notice of renewal at least 180 days but no more than 1 year prior to expiration, sign the then current Franchise Agreement, which may be materially different from your existing franchise agreement, sign release, pay renewal fee, and be in compliance with the Franchise Agreement.
d. Termination by franchisee	Section 18.1	If we materially breach the Franchise Agreement and fail to cure within 30 days after notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 18.2 and 18.3	We can terminate only if you commit any one of listed violations.
g. "Cause" defined – curable defaults	Section 18.2,18.3, and 18.4	Material misrepresentation or omission in application, unauthorized opening, abandonment, felony conviction, unauthorized assignment, repeated defaults and material adverse conduct.
h. "Cause" defined – non-curable defaults	Section 18.2 and 18.3	Notice and cure period in 10 days for monetary defaults and 30 days for other defaults.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination / non-renewal	Section 18.6	Cease operating franchised business, cease using confidential information and Marks, cancel assumed or similar name registrations, payment of all amounts due, complete de-identification, assign telephone numbers and name, return Operation Manual, Business Manual and Sales Manual and other manuals and promotional items and comply with covenants.
j. Assignment of contract by franchisor	Section 16.5	No restriction on our right to assign.
k. "Transfer" by franchisee - Defined	Sections 16.1	Includes transfer of any interest in the Franchise Agreement, assets or change of any interests in franchise.
l. Franchisor's approval of transfer by franchisee	Section 16.3	We must approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor's approval of transfer	Section 16.2	You must be in full compliance, transferee must sign then current Franchise Agreement (which may differ materially from your Franchise Agreement) pay a transfer fee, transfer of lease and complete our training program. You must sign a release of claims.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16.4	For 30-day period, we have the right to match any offer.
o. Franchisor's option to purchase franchisee's business	Section 18.5	We may purchase your business upon termination of expiration of your Franchise Agreement. Does not include real property other than leasehold interest.
p. Death or disability of franchisee	Section 16.6	Your representative must notify us within 30 days of death to continue operation. Franchise must be assigned to an approved buyer within 180 days (or longer if required by probate proceedings); there must always be a designated trained manager at the Franchise Operation.
q. Non-competition covenants during the term of the franchise	Section 20.1	No involvement with a competing business for 2 years within 100 miles of your Territory or of any other System4® Franchisee or company owned System4 business.
r. Non-competition covenants after the franchise is terminated or expires	Section 20.2	No involvement with any competing business located anywhere.

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Section 23.1	Generally, no modifications; but Manuals are subject to change.
t. Integration/merger clause	Section 23.2	The Franchise Agreement constitutes the entire agreement between the parties. Nothing in the Franchise Agreement or any related agreement is meant to disclaim representations made by us in this Franchise Disclosure Document. Any representations or promises outside of the Franchise Disclosure Document and the Franchise Agreement or other agreements may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 21.2	Except for certain claims, all disputes must be arbitrated in Cleveland, Ohio
v. Choice of forum	Section 21.1	Litigation must be in Ohio Courts (subject to state law)
w. Choice of Law	Section 21.1	Federal Arbitration and Ohio law applies (subject to state law)

ITEM 18
PUBLIC FIGURES

We do not currently use any public figure to promote our franchise system, but we reserve the right to do so in the future.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATION

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

The information in the tables below is based on reports submitted to us by 39 fully-reporting System4 Franchisees for 2021 located in the United States that were in operation for more than a year by the month of December 2021. The 39 Franchisees listed own 52 of the listed franchised units. The information was collected by us but has not been independently audited or verified. This information does not reflect company owned regions.

Table 1 shows the high and low and average Annual Revenue in 2021 for the 39 Franchisees who reported their information to us. The 39 Franchisees listed own 52 of the listed franchises. There are 3 Franchisees who have been open for less than 12 months. Table 2 shows the high and low Annual Revenue in 2021 for the 14 Franchise locations that were open 10 years or longer as of December 31, 2021, along with the average and median figures. Table 3 shows the high and low Annual Revenue in 2021 for the 33 Franchise locations that were open 36 months or longer as of December

31, 2021, along with the average and median figures. Table 4 shows the Annual Revenues in 2021 by the Employees of each of the 39 Franchise locations.

There are no deductions reflected in any of the numbers in Tables 1 through 4.

Table 1

2021 High and Low and Average Annual Revenue for all 39 reporting locations

High Annual Revenues	$15,735,826
Low Annual Revenues	$181,036
Average Revenues	$1,845,674

Table 2

2021 High, Low, Average and Median Annual Revenue for 14 locations opened 10 years or longer

High Annual Revenues	$15,735,826
Low Annual Revenues	$635,034
Average Annual Revenues	$3,168,689
Median Annual Revenues	$2,945,920

Table 3

2021 High, Low, Average and Median Gross Sales for 33 locations opened 36 months or longer

High Annual Revenues	$15,735,826
Low Annual Revenues	$308,241
Average Annual Revenues	$2,055,600
Median Annual Revenues	$1,499,014

*"Revenues" consists of the following: The entire amount of all gross sales and business receipts derived by the Franchisee arising out of the operation of the Franchise business, or through or by means of the business conducted in connection therewith, whether for cash or credit, but excluding: (1) sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; and (2) all bona fide customer refunds and approved rebates, discounts and allowances.

Table 4
Annual Revenues per Employee

Annual Revenues per full time employees as of 12/31/2021

** Note: all services are provided by Independent Contractors not by the employees of the Franchise locations. Employee numbers noted below are the only direct employees, administration, account manager, sales reps, or operations managers the Franchisees have.

Months Owned By Current Owner	Annual Revenues by Employee	Number of Employees Including Owner	Revenue	Months Owned By Current Owner	Annual Revenues by Employee	Number of Employees Including Owner	Revenue
43	$1,430,624	1	$1,430,624	42	$497,556	2	$995,112
160	$997,689	14	$13,967,646	188	$494,771	4	$1,979,084
41	$994,744	2	$1,989,488	55	$489,834.50	2	$979,669
148	$926,195.60	2.5	$2,315,489	36	$485,814.50	2	$971,629
134	$854,957.60	2.5	$2,137,394	17	$484,871.58	1	$484,871.58
34	$833,046	1	$833,046	42	$473,877.20	2.5	$1,184,693
37	$821,442.40	2.5	$2,053,606	25	$454,214.00	1	$454,214
57	$792,516	2	$1,585,032	25	$451,384.00	1.5	$677,076
24	$774,076	1.5	$1,161,114	41	$441,124.80	2.5	$1,102,812
184	$766,066.17	6	$4,596,397	151	$415,127.50	2	$830,255
76	$709,008	1	$709,008	167	$400,414.60	5	$2,002,073
135	$703,296	1	$703,296	24	$388,976.67	1.5	$583,465
62	$649,816	2.5	$1,624,540	17	$317,302.67	1.5	$475,954
37	$637,469	1	$637,469	17	$288,015.45	1	$288,015.45
139	$635,076.60	5	$3,175,383	43	$234,665	1	$234,665
155	$575,966	3	$1,727,898	19	$222,007.19	1	$222,007.19
163	$563,197	2	$1,126,394	42	$221,191	1	$221,191
145	$558,582	1	$558,582	24	$215,998.53	1.5	$323,997.80

Material Bases and Assumptions

The Franchise businesses represented in the Table above are substantially similar to the concept being offered to you.

The Revenues are not net of subcontractor fees or other operating expenses. We have not provided information regarding costs and expenses because we do not regularly collect that data from Franchisees, and we do not operate enough company-owned businesses from which we could present reliable figures.

The financial performance representations in this Item 19 do not reflect the cost of sales, sub-contractor fees, operating expenses, or other costs or expenses that must be deducted from the gross revenues figures to obtain your net income or profit. You will incur at least the following expenses, and possibly more: inventory, labor, occupancy costs, pre-opening expenses, depreciation and amortization, taxes, insurance, operating expenses, royalty fees to us, other fees to us in the Franchise Agreement, professional fees, software fees, bank charges, telephone, repairs. All of your expenses will affect the operating profit, net income and/or cash flow of your System4 Franchise business and should be carefully considered and evaluated.

These financial performance representations do not necessarily reflect the actual Gross Revenues that you may experience.

Prospective franchisees or sellers of franchises should be advised that no Certified Public Accountant has audited these figures or expressed his/her opinion with regard to their content of form. The amounts have not been audited or reviewed for reasonableness by independent auditors.

The financial performance representations in this Item 19 do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your System4 Franchise business. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Some outlets have sold this amount. There is no assurance you'll do as well. If you rely on our figures, you must accept the risk of not doing as well.

Written substantiation of the data we used in preparing this statement will be made available upon reasonable request.

Except as set forth above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting System4, LLC at 4700 Rockside Road, Suite 610, Independence, Ohio 44131 (216) 524-6100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System wide Outlet Summary

For Years 2019 to 2021

	YEAR	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	43	49	+6
	2020	49	52	+3
	2021	52	54	+2
Company Owned	2019	0	0	0
	2020	0	1	+1
	2021	1	0	-1
Total Outlets	2019	43	49	+6
	2020	49	52	+3
	2021	52	55	+3

The remainder of this page is left blank intentionally.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2019 - 2021

State	Year	Number of Transfers
California	2019	1
	2020	0
	2021	0
District of Columbia	2019	0
	2020	0
	2021	1
Florida	2019	0
	2020	1
	2021	0
Georgia	2019	1
	2020	1
	2021	0
Maryland	2019	0
	2020	0
	2021	1
Pennsylvania	2019	0
	2020	0
	2021	1
Tennessee	2019	2
	2020	0
	2021	0
Texas	2019	0
	2020	1
	2021	0
Virginia	2019	0
	2020	0
	2021	2
Totals	2019	4
	2020	2
	2021	5

Table 3
Status of Franchised Outlets
For Years 2019 – 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Alabama	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Arkansas	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Arizona	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
California	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Colorado	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Connecticut	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
District of Columbia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Delaware	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	1	0	4
Georgia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Idaho	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Illinois	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Indiana	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Kentucky	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Massachusetts	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Maryland	2019	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Michigan	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	1
Minnesota	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Hampshire	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Nevada	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
North Carolina	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Ohio	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Oregon	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Pennsylvania	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Rhode Island	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
South Carolina	2019	1	0	0	0	0	0	1
	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Tennessee	2019	3	0	0	0	1	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	00	0	0	2
Texas	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
Utah	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
	2021	1	0	0	0	0	0	1
Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Washington	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TOTALS								
	2019	43	6	0	0	4	0	49
	2020	49	3	0	0	0	0	52
	2021	52	+3	0	0	0	0	55

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Table 4
Status of Company Owned Units
For Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
FL	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
TX	2019	0	0	0	0	0	0
	2020	0	0	1	0	1	1
	2021	1	0	0	0	1	0
Totals	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0

Table 5
Projected Openings as of January 1, 2021

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	**0**	**2**	**0**
Florida	**0**	**3**	**0**
New York	**0**	**1**	**0**
Tennessee	**0**	**1**	**0**
Texas	**0**	**1**	**0**
Total	**0**	**7**	**0**

Exhibit F is the list of current Franchisees as of December 31, 2021 (55). Some Franchisees have more than 1 territory, so the number of names listed will not necessarily match the number of territories.

Exhibit G lists the name and last known city, state and business telephone number of all Franchisees (0) who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, 2021, or who have not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and formed franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current franchisees but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the system being offered.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit B to this disclosure document are the consolidated audited balance sheets for System4, LLC and Subsidiaries as of December 31, 2019, December 31, 2020 and December 31, 2021, and the audited Consolidated Statements of Operations and Consolidated Statements of Change in Member's Equity and Cash Flow for the years ended December 2019, December 2020, and December 2021. Attached is an unaudited balance sheet and statement of operations for the period ending June 30, 2022.

ITEM 22
CONTRACTS

The following contracts are attached as exhibits to the Disclosure Document

A - Franchise Agreement

A.1 Location and Initial Franchise Fee

A.1.A Royalty Fees

A.2 Statement of Ownership

A.3 Guaranty and Assumption of Franchisee's Obligations

A.4 Installment Collateral Note

A.5 Telephone Number, Intranet Domain Name and E-mail Address Assignment

A.6 Software License Addendum

A.7 Confidentiality and Non-Competition Agreement

A.8 Authorization for ACH

A.9 Acknowledgement

ITEM 23
RECEIPT

Two copies of a document acknowledging your receipt of this disclosure document appear at the end of this disclosure document (following the exhibits and attachments). Please sign both copies, return one copy to us and retain the other copy for your records.

SYSTEM4, LLC

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

EXHIBIT A

FRANCHISE AGREEMENT

Between

SYSTEM4, LLC
d.b.a. SYSTEM4®

and

_____

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EXHIBITS:

Exhibit A.1	Territory and Initial Franchise Fee Addendum
Exhibit A.1.A	Royalty Based on Net Margin
Exhibit A.2	Statement of Ownership
Exhibit A.3	Guaranty and Assumption of Obligations
Exhibit A.4	Installment Collateral Note and Security Agreement
Exhibit A.5	Telephone Number, Internet Domain Name and E-Mail Assignment
Exhibit A.6	Software License Addendum
Exhibit A.7	Confidentiality and Non-Solicitation Agreement
Exhibit A.8	Authorization for Prearranged Payments (Direct Debits)
Exhibit A.9	Acknowledgments

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, hereinafter referred to as the "Agreement" is entered into between SYSTEM4, LLC**,** an Ohio limited liability company located at 4700 Rockside Road Rd., Suite 610, Independence, Ohio 44131, hereinafter referred to as "Franchisor" or "System4" and _____ ("Franchisee"), a _____ (corporation or limited liability company), on the date set forth in the parties' signature page below..

WHEREAS, the Franchisor is engaged in the business of operating, developing and franchising others to use the System4 Franchise System to establish a Facility Services Management (FSM) business in which you will provide a variety of Authorized Services, as described in Section 2.2. The Franchisor has developed the System4 Franchise System through the expenditure of time, money, know-how and intellectual property for the establishment and operation of a business in the field of Facility Services Management and

WHEREAS, Franchisor grants the right to others ("Franchisees") to establish and operate a business that will provide Authorized Services under the service mark System4® ("Mark") and using the Licensed Methods within a designated area ("Franchise Territory"). You will deliver the Authorized Services in one or more of the following two (2) ways: (1) through your own employees, (2) through subcontractors and

WHEREAS, the Franchisee is desirous of entering into an agreement with Franchisor so as to be able to obtain the rights to operate a business using the Licensed Methods and certain standards, specifications, methods, procedures, proprietary software, techniques, management techniques, confidential information as developed by the Franchisor by offering the Authorized Services to commercial businesses, as they may be changed, improved and further developed from time to time by Franchisor and

WHEREAS, Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received nor relied upon, any warranty or guaranty, express or implied, as to: (a) the revenues, profits or success of the business contemplated by this Agreement. (b) the validity or enforceability of any copyright, patent or trade secret; or (c) the validity, exclusive ownership or enforceability of any Mark. Franchisee acknowledges that Franchisee has read this Agreement and Franchisor's Franchise Disclosure Document and that Franchisee has no knowledge of any representation, whether verbal, written, electronic, or otherwise, made by Franchisor, or its officers, directors, shareholders, employees or agents that are contrary to or inconsistent with the representations made in the Franchisor's Franchise Disclosure Document or to the terms of this Agreement;

WHEREAS, Franchisor agrees to use "Reasonable Business Judgment" in the exercise of its rights, obligations and discretion under this Agreement except where otherwise indicated in this Agreement. "Reasonable Business Judgment" means that Franchisor's determination shall prevail even in cases where other alternatives are also reasonable so long as Franchisor is intending to benefit or is acting in a way that could benefit the System4 Franchise System by enhancing the value of the Licensed Methods, increasing customer satisfaction, or minimizing possible customer brand/or location confusion. Franchisor shall not be required to consider Franchisee's particular economic or other circumstances when exercising its Reasonable Business Judgment. At no time is Franchisee's or any third party (including, but not limited to any third party acting as a trier of fact) entitled to substitute Franchisee's or its judgment for a judgment that has been made by or on behalf of Franchisor and that meets the definition of Reasonable Business Judgment in recognition of the fact that the long-term goals of the System4 Franchise System, and the long-term interests of both Franchisor and all franchise owners, taken together, require that Franchisor have the latitude to exercise Reasonable Business Judgment;

WHEREAS Franchise Owner has investigated and become familiar with the System4 Franchise System, and desires, upon the terms and conditions set forth herein, to obtain the right to operate a business that will utilize the Licensed Methods and the System4 Franchise System (the "Franchise Operation"). Franchisor is willing, upon the terms and conditions set forth herein, to grant Franchisee the right to operate the Franchise Operation. Franchisor has approved your application in reliance upon all the representations made in your application.

NOW THEREFORE, for and in consideration of the mutual covenants, terms and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A. Franchisor has developed methods for establishing, operating, and promoting a business of Facility Services Management to commercial businesses, which include the use and license of certain valuable trade names, service marks, and trademarks (the "Marks") owned by Franchisor, including the Marks and Franchisor's Licensed Methods.

B. Franchisee recognizes and acknowledges the benefits to be derived from being identified and associated with Franchisor, and being able to utilize the Franchisor Mark and Licensed Methods, and therefore desires to operate a Franchise Operation, subject to Franchisee's strict compliance with the terms and conditions of this Agreement; and a Franchise Operation located in the Franchise Territory.

ARTICLE 1.
DEFINED TERMS

Affiliates: An independent business that has agreed to perform work for the Franchisee at an agreed to bid price to provide services and/or products.

Affiliate Fees: Fees paid to the Franchisee by the Affiliates for services provided. This can be for software access or other support services.

Authorized Services: A variety of services you may offer to commercial customers, such as Janitorial, Carpet Cleaning, Window Washing, Pressure Washing, Hard Surface Floor Care, Landscaping, Parking Lot Sweeping, Pest Control, Painting, Handyman Services, Construction Cleanup, Snow Removal, Light Bulb Replacement, Document Shredding, HVAC, Plumbing, Electrical, Recycling Services, Hood Cleaning, Restroom Sanitizing and any other products and services designated by Franchisor.

Designated Manager: Person assigned by the Franchisee owner(s) who has been properly trained, to have the responsibility for managing the Franchise Operations and provide communication to the Franchisor as required from time to time.

Designated Representatives: An employee or agent of the Franchisor who would provide support services and/or advice or fulfill the obligations of the Franchisor to the Franchisee under the terms of this Agreement.

Facility Service Customers: Any business contracting with the Franchisee or Franchisor to perform services or to supply products.

Facility Services Management (FSM) Business: Is a business in which you will provide the Authorized Services to commercial customers. The Franchisor has through the expenditure of time, money, know-how and intellectual property developed the establishment and operation of a business in the field of Facility Services Management

Gross Sales Revenues: is defined as the invoice to anyone and in any way from the conduct of your Franchise Operation. This shall include, but not be a completely exhaustive list of any services, one time services extra work, sales of supplies, equipment or goods, whether such services are performed by Franchisee, its employees, Affiliates and/or any type of sub-contractor.

Licensed Methods: processes which include proprietary software and methods with a distinctive plan for establishing, implementing, operating, and promoting the Franchise Operation which provides Facility Services Management. These methods utilize sub-contracting; customer relations; sub-contractor and customer relationship development and management; marketing techniques; advertising; sales techniques; written promotional materials; Operations Manual contents and accounting systems that are used to operate the Franchise Operation.

National Accounts Program: Accounts that require centralized billings and/or customer service support which will be coordinated by the Franchisor for the benefit of the Franchisees.

Net Margin: Net Margin is Gross Sales Revenues minus the Direct Costs.

Franchise: The Franchise rights granted by this Agreement to operate a Facility Services Management business in a protected territory using the Licensed Methods as outlined herein.

Franchise Operation: The business operated by Franchisee pursuant to this Agreement, utilizing the Licensed Methods and the System4 Franchise System.

Franchised Office: A commercial business location from which the Franchise Operation is operated. This location will maintain all the business records. This could be a shared office or an individualized location.

Franchise Territory: The protected Territory as outlined on Exhibit A.1.

Revenues: Revenues is income that Franchisee receives from its business activities, usually from the sale of goods and services to customers

Service Providers: An independent business that entered into a Service Provider Agreement with the Franchisee to provide services and/or products at a pre-arranged price. Services and/or products include but are not limited to Janitorial, HVAC, Plumbing, Electrical, General Repair, Painting, Landscaping and other on-demand or preventative interior and/or exterior facility services.

Software: Any software that the Franchisor has supplied and/or provided access to the Franchisee. This could be a locally installed program, a web-based program or a subscription program.

System4 Franchise System: Franchisor being engaged in the business of operating, developing and franchising others to use the System4 Franchise System to establish a Facility Services Management (FSM) business in which you will provide a variety of Authorized Services, as described in Section 2.2. The Franchisor has developed the System4 Franchise System through the expenditure of time, money, know-how and intellectual property for the establishment and operation of a business in the field of Facility Services Management.

Telephone Service Line: This is the main business telephone number used by the Franchisee, for which the Franchisee has granted the rights to the Franchisor for ownership upon default or termination of this Agreement.

Work Order: A work order or job order (sometimes job ticket or work ticket, as it often has some type of ticket attached) is an order received by the Franchisee or Franchisor from a customer or client, or an order created internally within the Franchise Operation. A work order may be for products or services.

ARTICLE 2.
GRANT OF FRANCHISE

2.1. **Grant of Franchise**. Subject to all the terms and conditions herein, Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, the right to use the Marks and Licensed Methods in connection with establishing and operating a Franchise Operation in the Franchise Territory described in Section 3.1 below and Exhibit A.1. Franchisee agrees to use the Marks and Licensed Methods, as they are changed, improved, and further developed by Franchisor from time to time, in accordance with the terms and conditions of this Agreement.

2.2. **Scope of Franchise Operation**. Franchisee agrees at all times to faithfully, honestly, and diligently perform its obligations under this Agreement, to use best efforts to promote its Facility Services Management business, and not to engage in any other business or activity that conflicts with the operation of a Facility Services Management business in compliance with this Agreement. Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of the Franchise Operation in accordance with the Licensed Methods developed and prescribed from time to time by Franchisor, all of which are a part of the System4 Franchise System. Franchisee accepts such right, subject to such terms and conditions, and agrees to operate the Franchise and to use the System, Proprietary Software and Marks solely in connection with Franchise Operation.

Franchisee's Operation shall offer to commercial customers the Authorized Services, as they may be modified, supplemented and changed by Franchisor. Franchisee shall implement any additions and changes to the Authorized Services and products offered by its Facility Services Management business that Franchisor requires from time to time.

2.3. **Right to Use Licensed Methods**. Franchisor grants to Franchisee the right to use Franchisor's Licensed Methods for establishing, implementing, operating, and promoting the Franchise Operation which provides Facility Services Management.

2.4. **License to Use Trademarks**. Franchisor grants to Franchisee a license to use the trademark "SYSTEM 4®," and any other trademark adopted by Franchisor for use in conjunction with the Franchise Operation. These trademarks are hereafter sometimes referred to as the "Marks." The Marks are further defined in Section 14 below. This license is for using the Marks only in conjunction with the business to be operated using the Licensed Methods, and this license exists only for the duration of this Agreement.

2.5. **Limits on Franchise Rights**. Franchisee shall only offer services as permitted by applicable law and only as authorized by this Agreement. Franchisee may not perform any services outside the Franchise Territory without the prior written consent from the Franchisor. Franchisee must market its business only within the Franchise Territory, satisfying all other requirements of Section 11, below, including the requirement of describing Franchisee's business location in all advertising. Franchisee may not advertise or market outside the Franchise Territory, except to the extent that the advertising, by its nature, could not be limited to the Franchise Territory. Franchisor, in its sole discretion, reserves the right to specify or change procedures relating to advertising. Franchisee may not use other channels of distribution, such as the Internet, telemarketing, or other direct marketing, to make sales outside of the Franchise Territory.

2.6. **Limitation on Franchise Rights**. The rights granted to Franchisee are for the specific Franchise Territory and cannot be transferred to any other location, except with Franchisor's prior written

approval. The Marks and Licensed Methods are licensed only for Franchisee's use within the Franchise Territory.

ARTICLE 3.
FRANCHISEE'S TERRITORY AND LOCATION

3.1. **Franchisee's Territory and Location**. Franchisor grants to Franchisee the right to establish and conduct one Franchise Operation at a single location within the Franchise Territory specifically described in Section 1 of Exhibit A. 1 ("Franchise Territory"). The location of your Franchise Operation must be approved by us prior to you commencing business. After the signing of this Agreement the Franchisor shall not locate its own Corporate Operation, or grant to any other person or entity the right to locate any Franchise Operation, within the Franchise Territory using the same or similar Mark or Licensed Methods as those licensed by this Agreement. Nothing in this Agreement will prevent Franchisor from granting the right to establish or operate, or itself establishing or operating, businesses using the same or similar Mark or Licensed Methods outside of the Franchise Territory, or marketing services or products that are not Authorized Services or a part of the Franchise Operation authorized under this Agreement under the Franchisor's name and marks within the Franchise Territory. Nothing in this Agreement shall prevent Franchisor from entering into National Account Agreements as described in Section 3.2.

3.2. **National Accounts**. Franchisor has established a National Account Program, in which Franchisee may participate. If Franchisee participates in the National Account Program, Franchisee agrees to the terms and conditions established by Franchisor. Franchisor has the right to enter into National Account Agreements to provide Facility Services Management services to businesses or entities having offices or other commercial premises outside of or within the Franchise Territory. A National Account may be serviced by multiple Franchisees in different Franchise Territories, but not necessarily in all Franchise Territories. The Franchisor reserves the right to discontinue such a National Accounts Program at any time, in its sole discretion. Under the National Accounts Program, the Franchisor may engage in various marketing and lead generation activities to create National Account opportunities. The marketing and lead generation activities will include but are not limited to email, digital, social media and phone prospecting. The marketing and lead generation activities can take place with a Franchise Territory. In the effort to secure National Accounts, the Franchisor may perform various on-demand services for potential customers to demonstrate service capabilities. These services may be janitorial-based and/or repair and maintenance-based. Franchisor is expressly allowed to perform these services in a Franchise Territory if it is in pursuit of securing a National Account. Notwithstanding the foregoing, Franchisee has the right to service any accounts that are part of a National Account Agreement and are located within the Franchise Territory. All recurring janitorial revenues generated from National Accounts serviced by Franchisee shall be the property of Franchisee, subject to the royalties and a one-time Acquisition Fee not to exceed 100% of the costs paid to the service provider for one full month of margin retention and any other fees due Franchisor. The Franchisor may retain an administrative fee for National Account operational and accounting support. If Franchisee fails to service accounts to the satisfaction of the customer or declines to service any National Accounts in the Franchise Territory the Franchisee forfeits his or her rights to those accounts. In those instances, the Franchisor will receive all rights to those accounts and may have

a third-party service these accounts. The Franchisor will be responsible for all the billings and customer service functions for National Accounts but does not guarantee payment by said National Accounts. Customer service functions may also be handled directly in the Franchisee's Territory in conjunction the Franchisor's guidance and support. Franchisor will provide Franchisee with a National Account Acceptance Form with the terms and conditions of each National Account customer for the Franchisee to accept or decline. If the Franchisee does not agree to the terms and conditions of a National Account Acceptance Form, then the Franchisee is declining the option to service locations in the Franchise Territory and will be exercising its right of forfeiture as described herein.

3.3. **Repair and Maintenance Program**. The Franchisor has established a Repair and Maintenance Program in which Franchisee may participate. The nature of the Repair and Maintenance Program is to remove the operations and management responsibilities of the Franchisee on these activities. If Franchisee is not prepared or is not able to support and execute repair and maintenance services, Franchisor will manage all repair and maintenance services in the Franchisee's territory. Additionally, the Franchisor will be responsible for invoicing services, collecting payment and issuing payment to contractors. The Franchisor will retain 75% of the net margin on these services. The Franchisee will receive 25% of the net margin on these services. The net margin payment to the Franchisee will be issued quarterly within 45 days of the quarter ending. This is applicable for National, Regional and Local work orders. The Franchisee may opt-in and opt-out of the Repair and Maintenance Program at their own discretion with a written 30-day notice to the Franchisor's COO and/or the Director of Repair and Maintenance. This notice can be issued via email. Franchisor reserves the right to discontinue the Repair and Maintenance Program in its sole discretion.

3.4. **Territorial Rights.** Other than National Accounts (described above in Section 3.2), Franchisor will not solicit or accept Work Orders from Facility Services Management customers inside the Franchise Territory. The Franchisee may request that the Franchisor manage and service Work Orders inside the Franchise Territory. The Franchisee will then compensate the Franchisor for such management services.

3.5. **Rights Reserved by Franchisor.** Franchisor (on behalf of itself and its affiliates) retains the right, in its sole discretion:

a. to operate, or to grant other persons the right to operate, System4 Franchised Offices at such locations outside your Franchise Territory on such terms and conditions as Franchisor deems appropriate; and

b. to offer or provide the services authorized for System4 Franchised Offices under the Marks, either inside or outside your Franchise Territory, through such similar and dissimilar channels of distribution (including the internet, telemarketing, or other direct marketing sales) and under such terms and conditions as Franchisor deems appropriate ("alternative distribution channels"). Any such sales occurring within your "Franchised Territory" will be the Franchisee's revenues provided the Franchisee manages and services the customer. If the Franchise declines to service and manage the customer, the Franchisor will provide the services and then will be entitled to revenues as it relates to the declined customers.

ARTICLE 4.
INITIAL FRANCHISE FEE

Initial Franchise Fee. Franchisee agrees to pay to Franchisor, concurrently with signing this Agreement, an initial franchise fee ("Initial Franchise Fee") in the amount and terms as set forth in Exhibit A.1. The Initial Franchise Fee will be based on the population as determined by the latest United States Census at a rate of $1,000 per 10,000 in population, subject to a minimum Franchise Fee of One Hundred Twenty-Five Thousand Dollars ($125,000). Franchisee acknowledges and agrees that the Initial Franchise Fee represents payment for the initial grant of the right to use the Marks and Licensed Methods, that Franchisor has earned the Initial Franchise Fee upon receipt, and that, except as provided in Paragraph 7.1.C, the Initial Franchise Fee is not refundable to Franchisee under any circumstances once it is paid.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

The determination of the Franchise Territory size and the Initial Franchise Fee to be paid for the Franchise Territory shall be solely in the discretion of Franchisor.

ARTICLE 5.
ONGOING FEES

5.1. **Royalty On All Sales.** The Royalty percentage will be determined by calculating the "Net Margin" for all Gross Sales Revenue and sales minus the direct costs. Below are the definitions of sales and directs costs.

a. Gross Sales Revenue is defined as the invoice to anyone and in any way from the conduct of your Franchise Operation. This shall include, but not be a completely exhaustive list of any services, one-time services extra work, sales of supplies, equipment or goods, whether such services are performed by Franchisee, its employees, Affiliates and/or any type of sub-contractor. This applies to any revenues derived from any services provided for any management or maintenance services including commercial, industrial, government, institutional and residential services. Revenues shall further be defined as the sale, renting or leasing or distribution of related supplies and equipment, net of any discounts, sales taxes, or other similar taxes and credits returns and allowances, returned checks, and uncollectable accounts.

b. Direct Costs will be defined as 3rd party costs paid by the Franchise Operation to get services and/or supplies completed so they can fulfill Work Orders from any customer, Affiliate, Supplier, or sub-contractor. The Royalty will then be determined by the Royalty chart on Exhibit A 1.A Royalties for "Self-Performing" Services. Royalties for Self-Performing Accounts will be 4% of Revenues. These account types will be calculated separately on the Royalty Reports. Royalties for accounts serviced outside of the purchase Franchise Territory will be 5% of revenues. These account types will be calculated separately on the Royalty Reports. The Franchisor must provide written permission for a Franchisee to service any customer accounts, outside of the purchased Franchise Territory.

c. Net Margin will be defined as the Gross Sales Revenues minus the Direct Costs. The calculation will determine the "Net Margin Percentage".

Example as noted below:

Gross Sales Revenue		$10,000
Direct Costs (deduct)	$7,500	
Net Margin		$2,500
Net Margin Percentage	25%	

d. Royalty Percentage, Royalty percentage paid on the Gross Sales Revenue will be from 1 % to 6.2 % as determined by the "Net Margin" percentage in any month of reporting. The Net Margin percentages and Royalty percentages are shown in detail on Exhibit A.1.A.

e. Payment of the Royalty. For purposes of calculating the Royalty, the Gross Sales Revenues and all Direct Costs will be calculated on a calendar month beginning with the 1st day and ending with the last day of the month at midnight. All payments will be made via electronic transfer or wire transfer (ACH). Per Exhibit A 9. If the ACH or electronic transfer is returned, then the Franchisor may charge you 10% of the amount in addition to other banking charges incurred by the franchisor as a result of the ACH or electronic transfer being returned.

Calendar Time Period	Date report due	Date to be paid
1st day to last day of the month	10th of the following month	50% of amount due will be paid on the (15th) of the month and the balance due the last day of the month
Late Fees for not reporting	$30.00 per day	
Late Fees for not paying on time		$50.00 per day*

- *Whichever is greater, daily penalty fee, or interest at the highest rate of interest as permitted by applicable law of the state where the Franchise is located*.

5.2. **Minimum Royalties. T**he actual Royalty paid, or the minimum as noted below for the duration of the term of this Agreement. After each annual period there will be an accounting of all royalties paid. If there is a shortfall from the chart below then in the next month after the accounting is completed, the Franchisee will be billed for the deficit and the funds will be payable to the Franchisor within 30 days of the invoice from the Franchisor.

Months Operating	Minimum Monthly Royalty
1-12	Actual Royalty- no minimum
13-24	$1,800 average/month or $21,600 annually
25-36	$2,600 average/month or $31,200 annually
37-48	$3,400 average/month or $40,800 annually
49 and up	$4,600 average/month or $55,200 annually

5.3. **Application of Payments.** Notwithstanding any designation Franchisee might make, Franchisor may apply any payments made by the Franchisee to any of Franchisee's past due indebtedness to Franchisor. Franchisee acknowledges that Franchisor has the right to set-off any amounts Franchisee owes Franchisor against any amounts Franchisor might owe Franchisee.

5.4. **Interest.** All amounts payable by the Franchisee to the Franchisor, whether or not pursuant to this Agreement, and are not specifically defined with penalties, and which are more than ten (10) days late shall bear interest at the rate of eighteen percent (18%) per annum (plus 5% on any overdue

amount), or if there is a lower maximum contract rate fixed by law, then at such rate, which interest shall be computed from the due date to the date paid. All amounts shall be first applied to interest and the balance to principal.

5.5. **Royalty Fee and Taxes.** Franchisee agrees to reimburse the Franchisor if the Franchisor is required to pay any tax such as any excise, sales, state income or privilege tax that any government or governmental agency levies or imposes on Franchisor because of any clauses in this Agreement, and/or the physical location of the Franchise Operation or where the services are performed. The taxes contemplated by the preceding clause do not include any federal income or federal corporate franchise tax imposed on Franchisor.

ARTICLE 6.
DEVELOPMENT OF FRANCHISE OPERATION LOCATION

6.1. **Franchise Operation Location**. Franchisee must operate a Franchise Operation, (Franchised Office) within the Franchise Territory. Franchisee shall maintain a commercial address, which in operating months 1 to 6 can be a virtual office. Starting in month 7 the Franchisee must maintain an actual physical commercial office with a minimum 150 square feet. This can be located in a shared office environment and does not have to be a dedicated stand-alone location.

6.2. **Schedule.** Franchisee shall execute a lease for Franchised Office no later than one (1) month from the date this Agreement is signed. Franchisor will extend the time which Franchisee has to obtain an executed lease for the Franchised Office one (1) month period in the event factors beyond Franchisee's reasonable control prevent Franchisee from meeting this deadline, so long as Franchisee has made reasonable and continuing efforts to obtain a site and Franchisee requests in writing an extension of time before the end of the one (1) month period. If Franchisor and Franchisee do not agree on a site within 4 months from signing the Franchise Agreement, Franchisor has the right to terminate the Franchise Agreement.

6.3. **Computer Equipment and Software.** Franchisee shall purchase or otherwise obtain for use in connection with the Franchise Operation computer hardware and software ("Computer System"). Franchisee shall purchase or lease a Computer System approved by Franchisor. Franchisor will provide the minimum required specifications for the "Computer System." Franchisee shall purchase, or Franchisor or a third party may license to Franchisee for the license fee it determines, software to be used by Franchisee in conjunction with the Computer System. Franchisee shall submit any required reports in a format designated from time to time by Franchisor. Franchisee grants Franchisor the right to access the Computer System and to obtain sales, sales mix, and revenue information, cost information, financial reporting information directly by an internet connection or otherwise. Franchisee shall be obligated to upgrade or update the Computer System and the software, at Franchisee's sole cost, to meet Franchisor's then-current standards and specifications and to address technological developments or events. Franchisor has no obligation to reimburse Franchisee for any of these costs.

6.4. **Permits and Licenses.** Franchisee agrees to secure and maintain all required licenses, permits and certifications relating to the lawful operation of its Franchise Operation with all certifications from government authorities having jurisdiction over the Franchise Operation location. Franchise

Operation shall have obtained and be in compliance with all licenses to do business; fictitious name registrations; sales tax permits; and any other governmental requirements

6.5. **Commencement of Operations.** Unless otherwise agreed in writing by Franchisor and Franchisee, within four (4) months from the date of this Agreement (which includes the extension as provided by Section 6.2) Franchisee shall complete the initial training program, described in Section 7.1, and commence operation of the Franchise Operation. The Franchisee shall obtain the written consent of Franchisor prior to commencing operation of the Franchise Operation, which consent shall not be unreasonably withheld, but cannot be granted until Franchisee has: (1) successfully completed the initial training program; (2) paid all fees and other amounts due to Franchisor; (3) furnished copies of all insurance policies required by this Agreement; (4) equipped the Franchise Operation in accordance with Franchisor's standards and (5) otherwise completed all other aspects of establishing the Franchise Operation as Franchisor has reasonably required.

ARTICLE 7.
TRAINING

7.1. **Initial Training Program.** Franchisee or, if Franchisee is a corporation or limited liability company, its managing shareholder or member ("Managing Owner") and the person designated by Franchisee to assume primary responsibility for managing the Franchise Operation ("Designated Manager") must attend and successfully complete the initial training program offered by Franchisor at one of Franchisor's designated training facilities.

a. Up to three (3) individuals (including the Managing Owner and/or Designated Manager) are eligible to participate in Franchisor's initial training program without paying any tuition or fee. The training will not exceed 10 days at the Franchisor's determined site. Franchisee shall be responsible for any and all travel and living expenses incurred in connection with attending the training program as well as wages or salaries, if any, of the person(s) receiving training. Franchisee (or its Managing Owner) and the Designated Manager must successfully complete the initial training program before Franchisee begins operating the Franchise Operation. The Franchisor reserves the right to waive a portion of the training program or alter the training schedule if the Franchisee requests a change.

b. Franchisee (or its Managing Owner) and its Designated Manager may request additional training during the initial training program, to be provided at no additional charge, if Franchisee (or its Managing Owner) and the Designated Manager do not feel completely trained in the operation of a System4 Franchise Operation. The additional training will be provided at Franchisor's Corporate Headquarters at no additional charge. However, if Franchisee (or its Managing Owner) and the Designated Manager complete Franchisor's initial training program, and do not inform Franchisor in writing within ten (10) days of the end of the initial training program that Franchisee (or its Managing Owner) and the Designated Manager do not feel completely trained in the operation of a System4 Franchise Operation, then Franchisee will be deemed to have accepted the training program as Franchisor's complete and satisfactory performance of its obligations to furnish training.

c. If Franchisor in its sole discretion determines that the Franchisee or its designated individuals are unable to satisfactorily complete the initial training program, then the Franchisor will have the

right to terminate this Agreement pursuant to this paragraph. The Franchisor will return the Initial Fee paid to the Franchisor minus the training and other expenses incurred by the Franchisor. The expenses incurred shall not exceed Ten Thousand Dollars ($10,000.00). The Franchisee will fully and forever release the Franchisor and its affiliates, subsidiaries, directors, officers and agents from any claims or causes of action the Franchisee may have under the terms of this Agreement. The Franchisee will have no further interest, right or title in the Marks, Licensed Methods, proprietary software or the System4 Franchise System.

7.2. **Ongoing Training Programs.** Franchisor reserves the right to conduct training programs or seminars ("Ongoing Training") at locations to be determined by Franchisor to discuss relevant business trends and share new information relating to the facility services management business. Attendance at Ongoing Training is optional unless Franchisor gives Franchisee at least sixty (60) days' prior written notice that the seminar is mandatory, in which case Franchisee (or its Managing Owner) or its Designated Manager is required to attend. Franchisor shall not require Franchisee to attend any on-going training programs or seminars more than two (2) times a year. Each mandatory Ongoing Training program and seminar shall not last more than three (3) days. All Ongoing Training will be offered without tuition or a fee; provided, however, Franchisee will be responsible for any and all transportation and living expenses incurred in attending such additional training programs or seminars.

7.3. **Refresher Training Requirements.** If the Franchise Operation is showing difficulty in any of the following areas or another area that Franchisor determines in its discretion is material, Franchisee may be required to undergo a refresher-training program:

a. Falling below the minimum amount of royalties as outlined in 5.2.

b. Gross revenues reflect a decreasing billings rate for three or more consecutive quarters.

c. Excessive (6 or more in a rolling 12-month period) customer complaint problems, which are defined as customers calling/emailing the Franchisor regarding its issues and the problems continue to remain unresolved, thereby harming the good will associated with the Marks as determined by Franchisor in its sole discretion.

d. Excessive (6 or more in a rolling 12-month period) Affiliate and/or Service Provider complaint problems, which are defined as Affiliates and/or Service Providers call the Franchisor regarding its issues and the problems continue to remain unresolved, thereby harming the good will associated with the Marks as determined by Franchisor in its sole discretion.

e. Under any of the above circumstances, Franchisor may give Franchisee notice that Franchisee must attend and successfully complete Refresher Training. In that event, Franchisor will charge Franchisee its then-current Refresher Training Fee. In addition, Franchisee is responsible for the travel and living expenses incurred by all persons attending the Refresher Training. Franchisee must attend the Refresher Training within 30 days of receiving Franchisor's notice.

ARTICLE 8.
OPERATIONS MANUAL

8.1. **Operations Manual.** Franchisor agrees to make available to Franchisee access to designated computer software programs, procedure documentation maintained in physical procedures

manuals, video content, internet accessible programs, cloud storage programs ("Microsoft SharePoint" or "DropBox") or other forms as available and utilized by Franchisor. Said know-how and proprietary information shall be incorporated into Franchisor's Operations Manual. Franchisee agrees and shall comply with the Operations Manual as an essential part of its obligations under this Agreement. Franchisee shall at all times be responsible for ensuring that its content remains as confidential information to all other persons under its control. Franchisee shall neither duplicate Operations Manual content nor disclose its contents to persons other than employees and officers who need the information to perform their jobs.

8.2. **Changes to Operations Manual.** Franchisor reserves the right to revise the Operations Manual from time to time, as it deems necessary to update operating, marketing, sales, etc. procedures or standards and specifications in any manner. Franchisee agrees that within thirty (30) days after receiving any updated information, it will train its personnel and in turn implement the new and revised procedures as instructed by Franchisor and conform that its staff has implemented the updated procedures. Franchisee acknowledges that the most current Operations Manual is the controlling information in the event of a dispute over its contents.

ARTICLE 9.
DEVELOPMENT ASSISTANCE

9.1. **Franchisor's Development Assistance.** To assist Franchisee in establishing the Franchise Operation, Franchisor shall provide the following:

a. Assistance related to selecting a site for the Franchised Office, although Franchisee acknowledges that Franchisor has no obligation to select or acquire a site on behalf of Franchisee. Franchisor's assistance will consist of, at a minimum, providing general criteria for advising the Franchisee in its site selection.

b. Advice regarding the standards and specifications for the equipment, supplies, and materials used in, and the services and products offered for sale by the Franchise Operation and advice regarding selecting suppliers for such items.

c. Guidance in implementing advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs.

d. The initial training in accordance with Section 7.1.

e. Opening assistance consisting of one (1) or more representatives of Franchisor on site at the Franchise Operation location for not less than five (5) days to assist Franchisee in opening the Franchise Operation; provided, however, that Franchisee shall hire and be exclusively responsible for the training, compensation, and control of its employees and employment policies.

f. One (1) copy of the Operation Manual, as described in Section 8, which shall be loaned to Franchisee during the term of this Agreement. The Operation Manual may be digitally accessed via a cloud storage system ("Microsoft SharePoint" or "Dropbox") and may not be loaned in a printed format at the Franchisor's sole discretion..

ARTICLE 10.
OPERATING ASSISTANCE

10.1. Franchisor's Assistance. Franchisor agrees that, during Franchisee's operation of the Franchise Operation, Franchisor or its designated representatives shall make available to Franchisee the following assistance:

a. Upon reasonable request of Franchisee, telephone and/or email consultation regarding the continued operation and management of the Franchise Operation, product quality control and customer relations issues.

b. Access to advertising and promotional materials developed by Franchisor, for which Franchisee must pay Franchisor its cost.

c. The Franchisor may offer to conduct national or Franchisee meetings. If offered, the national meeting will occur annually.

d. Under no circumstances will the Franchisor be responsible for nor direct the actions of the Franchisee's employees.

e. Offer assistance and/or advice as the Franchisor in its sole discretion may deem reasonable concerning operating problems, new techniques in operating the business, bookkeeping, accounting and operating methods disclosed by discussions and reports provided by the Franchisee.

f. The Franchisor will not by virtue of any advice, approvals or services provided to the Franchisee, assume any responsibility or liability to the Franchisee or a third party for which the Franchisor would not otherwise be subject.

g. On-going updates and information and programs regarding the Franchise Operation business, related Licensed Methods, including information about special or new services or products developed and made available to Franchisees of Franchisor.

h. The initial training program to replacement or additional Designated Managers during the term of this Agreement. Although Franchisor does not currently charge a tuition or fee, Franchisor reserves the right to charge a tuition or fee, payable in advance, commensurate with the then current published prices of Franchisor for such training. Franchisee shall be responsible for all travel and living expenses incurred by its personnel during the training program.

i. If Franchisee requests assistance from Franchisor at Franchisee's location over and above what Franchisor provides during the initial training program, the Franchisor may charge Franchisee for such additional assistance at the rate of Three Hundred Dollars ($300) per day, plus the Franchisor's out of pocket expenses for travel, lodging, and other expenses.

ARTICLE 11.
FRANCHISEE'S OPERATIONAL COVENANTS

11.1. **Pre-Opening Requirements.** Franchisee shall complete all Items as noted in Section 6, prior to opening the Franchise Operation.

11.2. **Business Operations.** Franchisee shall maintain a high-quality Franchise Operation, in accordance with the Licensed Methods, the System4 Franchise System, and the Operations Manual, so as not

to detract from or adversely reflect upon the name and reputation of Franchisor and the goodwill associated with the System4® name and Marks.

a. Franchisee will maintain a high moral and ethical standard in the operation and conduct of the Franchise Operation so as to create and maintain goodwill among the public for the Marks. Franchisee will evaluate the performance of its professional and other staff to ensure that each renders competent, efficient and quality service.

b. Franchisee will not engage in any activity, conduct or practice that is contrary to the best interest of the Franchisor or Franchisee or that is reasonably anticipated to result in litigation with Franchisee's suppliers or customers, or in public criticism of the Franchisor or the Franchise Operation generally.

c. Franchisee shall maintain at a minimum, a 150 square foot office located in a commercial building (expect as noted in Section 6.1, during the startup in the first 6 months) which shall include telephone service line dedicated to the Franchise Operation which will be answered by an employee, telephone answering service or voice mail (or combination thereof) and which will take calls from customers or employees twenty-four (24) hours a day.

d. Franchisee shall notify the Franchisor if the location of the Franchised Office is changed. The Franchisee shall give the Franchisor thirty (30) days' written notice prior to the re-location of the Franchised Office. Re-location must be located within the Franchise Territory.

e. The telephone numbers, lines and the services related thereto (collectively, "Telephone Service Line") will be the sole and exclusive property of Franchisor. Franchisee shall at all times be solely responsible for any and all expenses and debts incurred with respect to the Telephone Service Line. Franchisee does hereby irrevocably convey, assign and transfer to Franchisor all of the rights relative to the termination and/or changing of the Telephone Service Line should the franchise arrangement and/or relationship between the parties cease at any time for any reason. Additionally, Franchisee does hereby irrevocably convey, assign and transfer to Franchisor all of the rights to place forwarding instructions upon the Telephone Service Line to whatever numbers and to any persons Franchisor desires, should the franchise arrangement and/or relationship cease at any time for any reason. All expenses in terminating, changing and forwarding the Telephone Service Line shall at all times be the sole responsibility of the Franchisee.

f. Franchisee shall at all times during the term of this Agreement keep its Franchise Operation open during normally accepted business hours, which will be the hours of 8:30 am to 5:00pm Monday through Friday. Normal holidays will be observed.

11.3. **Compliance.** Franchisee agrees to be in compliance with all applicable laws, as well as items required by Franchisor relating to the operation of the Franchise Operation, and specifically as noted below.

a. Franchisee will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise Operation and will operate the Franchise Operation in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, consumer protection, trade regulations, workers compensation,

unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

b. Franchisee hereby covenants to at all times comply with all federal, state, and local laws, rules, and regulations governing the utilization of employees, subcontractors in the performance of delivering services to the Franchisee's and Franchisors' customers, and agrees to hold the Franchisor harmless and indemnify Franchisor from any liability and/or legal fees for failure to comply with such laws, rules and regulations for its employees and subcontractors., .

c. Franchisee agrees to be in compliance with all Federal Department of Labor, State Department of Labor, Federal Unemployment, State Unemployment, State Workers Compensation laws and any other federal or state agency as it relates to maintaining an independent relationship with any of the Franchisees' sub-contractors.

d. Franchisee agrees to be in compliance with all applicable Department of Labor laws including but not limited to all provisions of the minimum wage/overtime provisions of the Fair Labor Standards Act ("FLSA").

e. Franchisee shall take all the necessary steps in order to be assured that the sub-contractors that are utilized by the Franchise Operation are all in compliance with all provisions of the minimum wage/overtime provisions of the Fair Labor Standards Act ("FLSA").

f. Franchisee will furnish Franchisor copies of all federal and state income tax returns within 30 days of the annual filings.

g. Franchisee will at all times be in compliance with any sales tax filings and payments that may be required to be filed for the Franchise Operation. Copies of these reports must be provided to the Franchisor within ten (10) days of Franchisor's request.

h. Franchisee shall comply with all agreements with third parties, shall promptly pay when due all taxes and other obligations owed to third parties, including, without limitation, all federal, state, and local taxes and any and all accounts payable or other indebtedness incurred by Franchisee in operating the Franchise Operation. Including, in particular, all provisions of any leases or subleases.

11.4. **Notices.** Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, investigation, suit or proceeding by any person or government agency against the Franchisee, and/or the issuance of any order, suit or proceeding by any court, agency or other governmental body which may adversely affect the operation or financial condition of the Franchise Operation. See Section 14 regarding litigation involving any of the Marks.

Further, Franchisee will notify Franchisor promptly in writing prior to taking legal action against any customer, supplier, independent contractor, sub-contractor, Affiliates and Service Providers.

11.5. **Ownership.** Franchisee shall at all times during the term of this Agreement own and control the Franchise Operation, except as specifically noted in this Agreement. Upon request of Franchisor, Franchisee shall promptly provide Franchisor satisfactory proof of the identity of the owners of the Franchisee entity, including any updates or changes. Franchisee represents that the Statement of Ownership attached, as Exhibit A.2 is true, complete, accurate, and not misleading. Franchisee shall promptly provide Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Section 16. Franchisee acknowledges that, if

Franchisee is other than an individual(s), Franchisor may require that the individual owners or members of Franchisee guarantee the performance of Franchisee and sign the Guaranty and Assumption of Franchisee's Obligations attached to this Agreement as Exhibit A.3.

11.6. **Employees**. During the Term of this Agreement, neither the Franchisee nor the Franchisor will employ, directly or indirectly, any person who is at the time or was at any time during the prior twelve (12) months serving in a managerial position and employed by the other party, its subsidiaries, or by any other Franchisee within the System4 Franchise System. This section will not be violated if, at the time, Franchisee or Franchisor employs or seeks to employ such person, the then current or former employer, as the case may be, has given its written consent prior to the hiring of the individual. The parties hereto do acknowledge and agree that in the event this section is violated, then the party violating this section will pay the former employer liquidated damages in the amount of Ten Thousand Dollars ($10,000) plus reimbursement of all costs and attorneys' fees incurred.

11.7. **Insurance.** Franchisee shall procure, maintain, and provide evidence of insurance for the Franchise Operation of the types, in the amounts, and with such terms and conditions as Franchisor from time to time prescribes in the Operations Manual or otherwise. All of the required policies of insurance shall name Franchisor as additional insured on a primary basis and provide for thirty (30) days advance written notice to Franchisor of their cancellation or modification. If the Franchisee fails to maintain the required insurance, the Franchisor may obtain insurance on the Franchisees behalf and charge the cost to the Franchisee. The Franchisee agrees to reimburse the Franchisor for the premium costs plus an administrative fee of twenty percent (20%) of monies paid.

a. General liability insurance policy covering bodily injury, property damage and non-owned motor vehicles having a combined single limit of at least $1,000,000 per incident and $2,000,000 aggregate.

b. Workers compensation insurance policy in accordance with state law.

c. Guaranteed Asset Protection (GAP) Insurance. This insurance shall cover the Franchisee in the case of a sub-contractor's or Affiliate's or Service Provider's insurance policy lapsing and/or is deficient in coverage for any claim the sub-contractor's insurance coverage would or would have been liable for.

d. Umbrella Coverage in the amount of Two Million Dollars ($2,000,000).

11.8. **Services and Products**. Franchisee shall offer all Authorized Services and Products from time to time prescribed by Franchisor and shall not offer any other types of services or products, or operate or engage in any other type of business or profession, from or through the Franchise Operation, unless Franchisor's written consent is first obtained.

11.9. **Franchisor's Right to Manage**. Franchisee hereby grants to Franchisor the right to take such steps as are necessary to manage the Franchise Operation for the account of Franchisee in the event of Managing Owner's death or in the event that an independent third party (such as a medical doctor) reasonably determines that Managing Owner is incapacitated or incapable of

running the Franchise Operation. The Franchisor will receive a reasonable fee for such services. This arrangement is meant to be temporary, until a new manager can be trained and appointed by the Franchise Operation.

11.10. **Obligation if Transferred**. If Franchisee is a corporation, or this Agreement is transferred to a corporation under Section 16.2, in whole or in part, the board of directors of Franchisee shall pass a resolution requiring, and the corporation shall otherwise require, the prominent placement of the following notation regarding transfer restrictions on each certificate representing shares in the Franchisee corporation:

"The transfer of the shares represented by this certificate is subject to the terms and conditions of a certain Franchise Agreement entered into with System4, LLC."

Franchisee must provide the Franchisor with proof of complying with this provision within fifteen (15) days following the date on which any corporation obtains rights under this Agreement, in whole or in part.

11.11. **Supplemental Agreements**. Franchisee is required to sign supplemental agreements simultaneously with the execution of this Agreement, including the following:

a. Location and Initial Franchise Fee Agreement in the form of Exhibit A.1 attached to this Agreement, which will detail the Franchise Territory and the Initial Franchise Fee amount.

b. Statement of Ownership in the form of Exhibit A.2 which sets forth the ownership interest and entity form of Franchisee's company.

c. Guaranty and Assumption of Franchisee's Obligations in the form of Exhibit A.3 pursuant to which the owners of Franchisee personally agree to be bound by the obligations of Franchisee.

d. Installment Collateral Note in the form of Exhibit A.4, if applicable, which sets out the terms of financing by Franchisor of a portion of the Initial Franchise Fee.

e. Telephone Number, Intranet Domain Name and E-Mail Address Assignment in the form of Exhibit A.5, which provides for an assignment of said items to the Franchisor in the event of termination or expiration of this Agreement.

f. Software License Addendum in the form of Exhibit A.6, which protects the proprietary items for all Franchisees.

g. Non-competition Agreement in the form of Exhibit A.7 which all officers, directors, managers and other principals of the Franchisee must execute.

h. Authorization for ACH, in the form of Exhibit A.8 which allows for the monthly payments on obligations to the Franchisor to be paid directly from Franchisee's bank account.

i. Acknowledgment in the form of Exhibit A.9 which provides that the Franchisee received the Franchise Disclosure Document at least fourteen (14) days before entering into any agreement or paying any consideration to Franchisor, and received the completed Franchise Agreement at least seven (7) days prior to signing the Franchise Agreement or paying any consideration to Franchisor.

ARTICLE 12.
ADVERTISING

12.1. **Approval and Use of Advertising.** Franchisee shall obtain Franchisor's prior written approval of all written advertising or other marketing or promotional programs not previously approved by

Franchisor. Such requests shall be submitted to Franchisor at least ten (10) days prior to publication, broadcast, or use. Franchisee acknowledges that advertising and promoting the brand name in accordance with Franchisor's standards and specifications are essential aspects of the Licensed Methods, and Franchisee agrees to comply with all advertising standards and specifications. All advertising and promotional materials Franchisee uses, including print, television, radio, Internet, computerized media and electronic media (such as for example, but by no means exhaustive: the World Wide Web, the Internet, new groups, bulletin boards, e-mail, social networks, Facebook, Twitter), and any other media, must be completely factual, dignified, and comply with the highest standards of ethical advertising and policies prescribed by Franchisor, as well as with all applicable laws.

12.2. **Website**. Franchisee specifically acknowledges and agrees that Franchisee is not permitted to create or advertise on any website other than the website approved, monitored and controlled by Franchisor.

ARTICLE 13.
GENERAL STANDARDS OF OPERATING

13.1. **Standards and Specifications.** Franchisor will make available to Franchisee standards and specifications for services and products offered at or through the Franchise Operation and the materials, forms, items, and supplies used in connection with the Franchise Operation. Franchisor reserves the right to change standards and specifications for services and products offered at or through the Franchise Operation or for materials, forms, items, and supplies upon thirty (30) days prior written notice to Franchisee.

13.2. **Inspections.** Franchisor shall have the right to interview customers or examine the Franchise Operation and to examine and copy its books, records, and documents, including, without limitation, the inventory, products, equipment, materials, or supplies, to ensure compliance with all standards and specifications set by Franchisor. Franchisor shall conduct such activities during regular business hours with or without prior notice to Franchisee.

13.3. **Restrictions on Services and Products.** Franchisee is prohibited from offering or selling any services or products from or through the Franchise Operation that have not been previously authorized by Franchisor. However, if Franchisee proposes to offer, conduct, or utilize any services, products, materials, forms, items, or supplies in connection with or for sale through the Franchise Operation that are not approved by Franchisor, Franchisee shall first notify Franchisor in writing requesting approval. Franchisor may withhold such approval; however, in order to make such determination, Franchisor may require submission of specifications, information, or samples of such services, products, materials, forms, items, or supplies. Franchisor will advise Franchisee within a reasonable time, not to exceed ninety (90) days, whether such products, supplies, or services meet its specifications. A charge not to exceed the actual cost of the review may be made by Franchisor and shall be paid by Franchisee.

13.4. **No Duplication**. Franchisee is prohibited from duplication of the Franchisor System and Software and will not disclose or cause to be disclosed any part of the Franchisor System or Operations Manual.

13.5. **Management of the Franchise.** The Franchise Operation will at all times be under Franchisee's direct, supervision or a trained and competent employee acting as full-time manager ("Designated Manager"). Franchisee will keep Franchisor informed at all times of the identity of any Designated Manager of the Franchise Operation. Franchisee will at all times faithfully, honestly and diligently perform the Franchisee's obligations under this Agreement and will not engage in any business or other activities that will conflict with the Franchisee's obligations under this Agreement. Franchisee will have its officers, directors, managers, and other principals execute a Confidentiality and Non-Solicitation Agreement (sample attached as Exhibit A 7 to this Agreement), and furnish Franchisor a signed coy of each such Agreement. If Franchisee wishes to use a form agreement other than as attached as Exhibit A7, then Franchisee must obtain Franchisor's prior written consent.

13.6. **Insurance**. Franchisee shall keep the Franchise Operation and all equipment adequately insured with the cover ages and policy limits as set forth in the Operations Manual, and as from time to time modified by Franchisor therein.

ARTICLE 14.
MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

14.1. **Marks.** System4® grants Franchisee the right to operate a Franchise Operation under the name and Mark System4®. Franchisee may also use other current or future trademarks that Franchisor may authorize in the future in connection with the Franchise Operation.

a. By "Mark," it means "System4" or any other trade names, trademarks, service marks and logos used to identify the franchise. Franchisee acknowledges that Franchisor has the sole right to license and control Franchisee's use of the Marks and that such Marks shall remain under the sole and exclusive ownership and control of Franchisor. Franchisee acknowledges that it does not acquire any right, title, or interest in the Marks except for the right to use the Marks in operating its Franchise Operation under this Agreement. Franchisee shall display the Marks prominently at the Franchise Operation, on packaging and other materials, and in connection with forms, advertising, and marketing, all in the manner Franchisor prescribes. Franchisee further agrees that no Marks other than "System 4®," or such other trademarks specified by Franchisor shall be used in the marketing, promotion, identification, or operation of the Franchise Operation, except with Franchisor's prior written consent.

b. Franchisee may not use any of the Marks, except as allowed by Franchisor in writing, as part of any domain name or electronic address Franchisor maintains on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery.

c. Franchisee shall notify Franchisor immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person other than Franchisor of any rights in any Mark or any similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not communicate with any person other than Franchisor and its counsel in connection with any such infringement, challenge or claim. Franchisor has sole discretion to take such action as it deems appropriate and to control exclusively any litigation, U. S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance and do such acts and

things as may, in the opinion of counsel for Franchisor, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding or other administrative proceedings or otherwise to protect and maintain the interests of Franchisor in the Marks.

d. Franchisee will not interfere in any manner with, or attempt to prohibit, the use of the Marks or the System by Franchisor or by any of Franchisor's other franchisees or licensees.

e. Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all direct, but not consequential (including, but not limited to, loss of revenue and/or profits), damages for which Franchisee is held liable in any proceeding arising out of the use of any Mark pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceeding in which it is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceeding and has otherwise complied with this Agreement, and that Franchisor shall have the right to defend any such claim. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

14.2. **Licensed Methods.** Franchisee hereby acknowledges that Franchisor owns and controls the Licensed Methods, which are the distinctive plan for establishing, implementing, operating, and promoting the Franchise Operations which provides Facility Services Management. The Franchisee acknowledges that the Licensed Methods constitute valuable trade secrets, and are protectable as such. Franchisee further acknowledges that it has not acquired any right, title, or interest in the Licensed Methods, except for the right to use the Licensed Methods in operating the Franchise Operation, and that any and all innovation, additions, or improvements made to the Licensed Methods, even if by Franchisee, are the property of and shall belong to Franchisor.

14.3. **Franchisee's Business Name.** Franchisee acknowledges that Franchisor has a prior and superior claim to the System 4™ trade name. Franchisee shall not use “System 4" or any portion thereof in the legal name of its corporation, limited liability company, partnership, or any other business entity. Franchisee also agrees not to register or attempt to register a trade name using “System 4" or any portion thereof in Franchisee's name or that of any other person or business entity. Franchisee will not use any of the Marks or portion of any of the Marks as part of any corporate, limited liability company, or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. Franchisee will not use any Mark in connection with the sale of any unauthorized product or service or in any other manner Franchisor has not expressly authorized in writing. Franchisee will give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law.

14.4. **Change of Marks.** In the event Franchisor decides to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice, take such action, at Franchisee's sole expense, necessary to comply with such modification, discontinuation, addition, or substitution. Franchisor need not reimburse Franchisee for its direct expenses of changing the Franchise Operation's signs, for any loss of

revenue due to any modified or discontinued Mark, or for Franchisee's expenses of promoting a modified or substitute trademark or service mark.

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ARTICLE 15.
REPORTS, RECORDS AND FINANCIAL STATEMENTS

15.1. **Franchisee Reports**. Franchisee shall use the bookkeeping/management tools described in the Operating Manual. Franchisee is strongly urged to retain a professional accountant to provide bookkeeping services (at Franchisee's expense). Franchisee agrees to provide timely financial statements required by this Section 15. If Franchisee fails to provide such financial statements more than two (2) times in any twelve (12) month period, then, in addition to any other remedies, Franchisor may require Franchisee to use Franchisor's bookkeeping services at the then-current fee. Franchisee also shall provide to Franchisor financial and accounting reports in the manner and form Franchisor requires, including:

a. Monthly summary reports, submitted by no later than the 10th business day of each month and containing information relative to the previous month's operations; such as, details of total billings, detail of new franchisees sold, details of new accounts sold, detail of franchisee notes and leases, details of cancelled accounts.

b. Any other data, information, and supporting records reasonably requested by Franchisor from time to time (including, without limitation, weekly and monthly reports of product sales by category);

15.2. **Financial Records Use and Access**. Franchisor reserves the right to disclose data derived from all financial and accounting reports received from Franchisee. Franchisor reserves the right to require that Franchisee install and maintain a telephone modem and dedicated line at the Franchise Operation which Franchisor may access to obtain sales information and data of the Licensed Methods, and Franchisee agrees to cooperate with Franchisor's procedures regarding the Licensed Methods. With respect to the operation and financial condition of the Franchise Operation, Franchisee agrees to furnish Franchisor the required financial and accounting reports in the form prescribed by Franchisor, which may include, without limitation, computer diskette, electronic mail, and file upload via a cloud-based platform such as DropBox or SharePoint.

15.3. **Books and Records.** Franchisee shall maintain all books and records for its Franchise Operation in accordance with GAAP consistently applied and preserve such records, including shift reports, weekly operating summaries, and sales tax returns, for at least three (3) years after the fiscal year to which they relate.

15.4. **Audit of Books and Records**. Franchisee shall permit Franchisor or its representatives to inspect and audit the books and records of the Franchise Operation at any reasonable time at Franchisor's expense. If any audit discloses a deficiency in amounts owed to Franchisor, then such amounts shall become immediately payable to Franchisor by Franchisee; with interest from the date such payments were due at the lesser of two percent (2%) per month or the maximum commercial contract interest rate allowed by law. In addition, if such audit discloses that the sales of the Franchise Operation have been understated by two (2%) or more during the audit period, or if the audit is conducted due to Franchisee's failure to submit to Franchisor required reports for two (2)

consecutive reporting periods, Franchisee shall pay all reasonable costs and expenses Franchisor incurred in connection with such audit.

15.5. **Franchisee Financial Information**. Franchisee shall have a financial review, including a balance sheet and a profit and loss statement made of its operations by a Certified Public Accountant within ninety (90) days of the end of each of the Franchisee's fiscal year. Within thirty (30) days of completion of the report the Franchisee shall furnish Franchisor a copy of the review. The Franchisor reserves the right to also request monthly profit and loss statements, cash flow reports and balance sheets, which Franchisee shall furnish within fifteen (15) days from the date of Franchisor's request. This request can cover any number of months and/or one month at a time.

15.6. **Financial Information Dissemination**. Franchisor may from time to time disseminate to Franchisee, financial information relating to other Franchisees (for example, revenue figures for all Franchisees). Franchisee agrees to keep such information confidential, and to not disclose this information to any other person, including prospective Franchisees without prior written consent of the Franchisor.

15.7. **Ownership of Business Records**. Franchisee and Franchisor agree that the Franchisee owns all The Franchise Operation records, accounts, books, data, business licenses, reports, and contracts ("Business Records") with respect to customers , affiliates, service providers, subcontractors and other service professionals of, and related to, the Franchise Operation including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by the Franchisee. Franchisee further acknowledges and agrees that, at all times during the term of this Agreement and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion.

15.8. **Software for Data and Record Management**. Franchisee will use and pay all required sub-licensing fees for the following "software" which is required to operate the Franchise Operation.

a. All licensed proprietary software required by the Franchisor as noted in the "Software License Addendum" attached as Exhibit A 6.

b. Microsoft "Office Suite" to include at a minimum, Word, Excel, PowerPoint and Outlook.

c. The SMARTS or ServiceSync proprietary software as licensed by the Franchisor for the use by the Franchisee.

d. Any other software as determined by the Franchisor that is required to operate the Franchise Operation. This list may change time to time and may be noted in any upgrades of the Operations Manual.

e. The Franchisee will be responsible for any costs that are required to upgrade the software and/or the equipment in order to continue to operate the Franchise Operation as determined by any changes to the Operations Manual

ARTICLE 16.
TRANSFER

16.1. **Transfers by Franchisee**. Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (or its shareholders, partners, members, or owners, if Franchisee is a corporation, partnership, or limited liability company, or other business entity) and that Franchisor has entered into this Agreement in reliance upon Franchisor's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee (or its shareholders, partners, members, or owners). Accordingly, without Franchisor's prior written consent, which will not be unreasonably withheld, neither this Agreement (nor any interest in this Agreement) nor any part or all of the ownership of Franchisee may be transferred. Any unauthorized transfer is a breach of this Agreement, void, and of no effect. As used in this Agreement, the term "transfer" includes Franchisee's (or an owner's) voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in. (1) this Agreement; (2) the Franchisee entity, (3) the Franchise Operation governed by this Agreement; or (4) all or a substantial portion of the assets of the Franchise Operation.

16.2. **Pre-Conditions to Franchisee's Transfer**. Franchisee agrees that there may be no transfers before the Franchise Operation has opened for business. Franchisor shall not be obligated to approve a proposed transfer unless Franchisee (and its owners) is in full compliance with this Agreement. Franchisor shall not unreasonably withhold its approval of a proposed transfer that meets all the applicable requirements of this Section. The proposed transferee and its owners must be individuals of good moral character and otherwise meet Franchisor's then applicable standards for Franchisees.

If the proposed transfer is of this Agreement and the Franchise Operation, or a controlling interest of 25% or more in Franchisee, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement and the Franchise Operation or a controlling interest in Franchisee, all of the following conditions must be met before or concurrently with the effective date of the transfer:

a. All amounts due and owing pursuant to this Agreement or otherwise by Franchisee to Franchisor, its affiliates, or third parties whose debts or obligations Franchisor has guaranteed on behalf of Franchisee, if any, are paid in full; Franchisee has submitted all required reports and statements; and Franchisee has not violated any material provision of this Agreement, the Franchise Operation's lease, or any other agreement with Franchisor during both the sixty (60) day period before Franchisee requested Franchisor's consent to the transfer and the period between Franchisee's request and on the effective date of the transfer;

b. The proposed transferee agrees to operate the Franchise Operation as a System4 Franchise Operation, signs the then-current form of Franchise Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement (however, said Franchise Agreement shall not require the proposed transferee to incur any Initial Franchise Fee Payments). The proposed transferee must satisfactorily complete the initial training program for Franchisees;

c. Franchisee provides written notice to Franchisor at least thirty (30) days prior to the proposed effective date of the transfer and includes information reasonably detailed to enable Franchisor to

evaluate the terms and conditions of the proposed transfer, which at a minimum includes a written offer from the proposed transferee;

d. The proposed transferee provides information to Franchisor sufficient for Franchisor to assess the proposed transferee's business experience, aptitude, and financial qualification, and Franchisor approves the proposed transferee as a Franchisee;

e. Neither the transferee nor its owners or affiliates operate or have an ownership interest in a Competitive Business (defined in Section 20.1);

f. Franchisee's landlord allows Franchisee to transfer the Franchise Operation's lease to the transferee;

g. If Franchisee or its owners finance any part of the purchase price, Franchisee and/or its owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Franchise Operation are subordinate to the transferee's obligation to pay fees and other amounts due to Franchisor and otherwise to comply with this Agreement;

h. Franchisee executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, and their respective shareholders, officers, directors, employees, and agents;

i. Franchisee abides by all post-termination covenants, including, without limitation, the covenant not to compete set forth in Section 20.2; and

j. If Franchisee is an individual transferring this Agreement and the Franchise Operation to an entity wholly-owned by Franchisee, Franchisee agrees both to remain personally responsible for the entity's performance of its obligations under this Agreement and to continue to comply personally with all obligations under this Agreement.

k. If Franchisor approves the proposed transfer, Franchisee or the proposed transferee will pay Franchisor a transfer fee in an amount of Twenty Five Thousand Dollars ($25,000), which is required to cover Franchisor's reasonable expenses related to the transfer, including training.

l. However, no transfer fee will be charged (and Franchisor's right of first refusal will not apply) for a transfer by Franchisee to an entity wholly-owned by Franchisee, between owners of a Franchisee entity, or to a spouse of a Franchisee (or owner of the Franchisee) upon the death or disability of Franchisee (or owner) so long as the transfer does not result in a change of control of the Franchisee.

m. A person will be deemed to have a controlling interest in Franchisee if that person has the right to vote twenty-five percent (25%) or more of the voting securities or other forms of ownership interest of a corporation, limited liability company, partnership, or other form of entity, or is entitled to receive twenty-five percent (25%) or more of the net profits of any such entity, or is otherwise able to direct or cause the direction of that entity's management or policies.

16.3. **Franchisor's Approval of Transfer**. Franchisor has thirty (30) days from the date of the written notice to approve or disapprove, in writing, Franchisee's proposed transfer. Franchisee acknowledges that the proposed transferee shall be evaluated by Franchisor based on the same criteria as are currently being used to assess new Franchisees and that the proposed transferee shall be provided with such disclosures required by state or federal law. Franchisor may review all information regarding the Franchise Operation that Franchisee gives the transferee, and

Franchisor may give the transferee copies of any reports that Franchisee has given Franchisor or Franchisor has made regarding the Franchise Operation.

16.4. **Right of First Refusal**. Franchisee grants to Franchisor a thirty (30) day right of first refusal to determine whether or not Franchisor shall purchase such rights, interest, or assets on the same terms and conditions as are contained in the written notice set forth in Section 16.2 C and an additional sixty (60) days thereafter to close on the purchase if the Franchisor exercises the option; provided, however, the following additional terms and conditions shall apply:

a. The right of first refusal will be effective for each proposed transfer, and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer for which Franchisor shall have a new sixty (60) day right of first refusal;

b. If Franchisor chooses not to exercise its right of first refusal, Franchisee shall be free to complete the transfer subject to compliance with Sections 16.2 and 16.3.

16.5. **Transfers by Franchisor**. Franchisee acknowledges that Franchisor maintains a staff to manage, implement, revise and refine the System4 Licensed Methods and that staff members can change from time to time. Franchisee represents that it has not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement without restriction.

16.6. **Franchisee's Death or Disability**. Upon the death or permanent disability of Franchisee (or an individual controlling a Franchisee entity), the personal representative of such person shall transfer Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. The heirs or Executor of Franchisee's estate must notify Franchisor within thirty (30) days of the Death or Disability of the proposed transfer in order to continue operation. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed one hundred eighty (180) days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this Section 16; provided, however, that for purposes of this Section, there shall be no transfer fee charged by Franchisor. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. The term "permanent disability" shall mean a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner controlling a Franchisee entity) from supervising the management and operation of the Franchise Operation for a period of one hundred twenty (120) days from the onset of such disability, impairment, or condition. In any event, the Franchise Operation shall at all times be managed by a Designated Manager who has complied with all of Franchisor's training requirements, regardless of any death or permanent disability covered by this Section.

16.7. **Franchisor's Assistance in Re-Sale**. Franchisee may at any time, request the Franchisors' assistance in locating a buyer for the Franchise Operation. Franchisor may at its sole discretion provide such assistance. The Franchisor reserves the right to charge a fee (Resale Fee) to cover the Franchisor's cost and expenses incurred, which should include the time spent by any of the Franchisors employees. The cost for this service will not exceed 10% of the total sales price. The Franchisee will still be liable for any other transfer fees as outlined in the Franchise Agreement. If the

franchisor elects to assist in finding a buyer, the Franchisor make no representations as to the success of locating a buyer and the time there involved. The Franchisee and the Franchisor will enter in a separate agreement memorializing any transaction in which the Franchisor and the Franchisee may agree to representation and assistance for the purpose of a Resale.

ARTICLE 17.
TERM AND RENEWAL

17.1. **Term**. The primary term of this Agreement is for a period of twenty (20) years from the Effective Date, unless sooner terminated.

17.2. **Renewal**. At the end of the primary term, Franchisee shall have the option to renew its franchise rights for an additional ten (10) year term, so long as Franchisee:

a. Has complied with all provisions of this Agreement during the primary term, including the payment on a timely basis of all fees. "Compliance" shall mean, at a minimum, that Franchisee has not received written notification from Franchisor of a breach more than four (4) times during the primary term;

b. Is not in default or under notification of breach of this Agreement at the time it gives notice under Section 17.3;

c. Executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective shareholders, officers, directors, employees, and agents arising out of or relating to this Agreement or the parties' relationship.

d. Executes the then-current form of Franchise Agreement, which agreement may contain terms materially different from those in this Agreement, including terms changing the fee amounts; provided that Franchisee shall not be required to pay a new Initial Franchise Fee.

17.3. **Exercise of Renewal**. Franchisee may exercise its option to renew by giving written notice of such exercise to Franchisor not more than one (1) year nor less than one hundred eighty (180) days prior to the expiration of the primary term. Franchisee must pay a Ten Thousand Dollar ($10,000) renewal fee to Franchisor concurrently with the execution of the then-current Franchise Agreement. If Franchisee fails to comply with any of the conditions listed above (other than execution of the new Franchise Agreement or payment of the renewal fee), Franchisor shall give notice to that effect to Franchisee no later than ninety (90) days before expiration of the primary term, and Franchisee will not have the right to renew this Agreement.

ARTICLE 18.
DEFAULT AND TERMINATION

18.1. **Termination by Franchisee.** Franchisee shall have the right to terminate this Agreement if Franchisor materially fails to comply with this Agreement and fails to cure its default within thirty (30) days after delivery of written notice of the default from Franchisee. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured within such thirty (30) day period and Franchisor has commenced and is continuing to make good faith efforts to cure the breach, Franchisor shall be given an additional reasonable period of time to cure the same, and this Agreement shall not terminate. Any termination by Franchisee other than in accordance with this Section will be deemed a termination by Franchisee without cause.

18.2. **Termination by Franchisor - Effective Upon Notice.** Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee, without affording Franchisee any opportunity to cure any default (subject to any state laws to the contrary, in which case state law shall prevail), effective upon delivery to Franchisee of a written termination notice, upon the occurrence of any of the following events:

a. Unauthorized Disclosure**.** If Franchisee or any person under Franchisee's control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Operations Manual, any other trade secrets, software information or any confidential information of Franchisor;

b. Fraud Regarding the Purchase**.** If Franchisee commits fraud in connection with the purchase, representations made on the application or operation of the Franchise Operation.

c. Misconduct Affecting the Marks. Franchisee engages in conduct that, in the sole judgment of Franchisor, materially impairs the goodwill associated with the Marks;

d. Abandonment. If Franchisee ceases to operate the Franchise Operation or otherwise abandons the Franchise Operation for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Franchise Operation, unless and only to the extent that full operation of the Franchise Operation is suspended or terminated due to fire, flood, earthquake, or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

e. Insolvency; Assignments. If Franchisee becomes insolvent or is adjudicated as bankrupt; or any action is taken by Franchisee, or by others against Franchisee, under any insolvency, bankruptcy, or reorganization act (this provision might not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101); or if Franchisee makes an assignment for the benefit of creditors; or a receiver is appointed for Franchisee;

f. Unsatisfied Judgments; Levy; Foreclosure. If any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedes or other appeal bond has been filed); or if execution is levied against Franchisee's business or any of the property used in operating the Franchise Operation and is not discharged within five (5) days; or if the real or personal property of Franchisee's business shall be sold after levy by any sheriff, marshal, or constable;

g. Criminal Charge/Conviction**.** If Franchisee (or any of its Bound Parties, as defined in Section 20.1) is convicted or charged of a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, and associated goodwill and reputation;

h. Failure to Make Payments. If Franchisee fails to pay any amounts due Franchisor or its affiliates within thirty (30) days after delivery of notice that such fees or amounts are overdue;

i. Financial Reporting**.** If Franchisee intentionally underreports Gross Sales in any amount or negligently underreports Gross Sales by five percent (5%) or more during any reporting period;

j. Misuse of Marks**.** If Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after delivery of notice from Franchisor;

k. Repeated Noncompliance**.** If Franchisee has received three (3) notices of default from Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee;

l. Right to Possession of Property**.** If Franchisee loses the right to occupy the Franchise Operation's premises because of its default under the lease or Sublease or defaults under any agreement related to use or operation of the Franchise Operation;

m. Unauthorized Transfer. If Franchisee sells, transfers, or otherwise assigns the franchise, an interest in the franchise or Franchisee entity, this Agreement, the Franchise Operation, or a substantial portion of the assets of the Franchise Operation without complying with the provisions of Section 16.

18.3. **Termination by Franchisor – Ten Days' Notice and Failure to Cure.** Franchisee will be deemed to be in default under this Agreement and Franchisor may elect to terminate this Agreement and all rights granted under this Agreement (subject to any state laws to the contrary, in which case state law shall prevail) if within ten (10) days after delivery to Franchisee of a written notice of default from Franchisor, Franchisee fails to comply with its monetary obligations under this Agreement, including but not limited to payment of Royalty Fees, note payments, or any other amounts due under this Agreement.

18.4. **Termination by Franchisor - Thirty Days' Notice and Failure to Cure.** Franchisee will be deemed to be in default under this Agreement and Franchisor may elect to terminate this Agreement and all rights granted under this Agreement (subject to any state laws to the contrary, in which case state law shall prevail) if within thirty (30) days after delivery to Franchisee of a written notice of default from Franchisor, Franchisee fails to comply with its non-monetary obligations under this Agreement, to Franchisor's satisfaction. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot reasonably be cured within such thirty (30) day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach, Franchisee shall be given an additional reasonable period of time to cure the same, and this Agreement shall not terminate.

18.5. **Right to Purchase.** Upon termination or expiration of this Agreement for any reason, Franchisor will have the option, but not an obligation, to purchase from Franchisee all or any specific physical assets of the Franchise Operation, including, without limitation, all supplies, equipment, advertising materials, and other items bearing the Franchisor's Marks, at fair market value. The procedures and requirements for Franchisor's purchase under this Section 18.5 are as follows:

a. Franchisor may exercise this option ("Option to Purchase") by giving Franchisee written notice within thirty (30) calendar days after such termination. If the parties cannot agree on fair market value within a reasonable time, an independent appraiser acceptable to Franchisee will be designated by Franchisor, whose determination will be the basis of negotiating a purchase price. If Franchisor elects to exercise any Option to Purchase as provided, it will have the right to set off

all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment.

b. Franchisor's option shall be exercisable by providing Franchisee with written notice of its intention to exercise the option no later than the effective date of termination, in the case of termination (unless Franchisee terminates without notice or Franchisor terminates for cause, in which case Franchisor shall have thirty (30) days after receipt of actual notice of the termination or such additional time as is reasonably necessary given the circumstances), or no later than thirty (30) days subsequent to the expiration of the term of the franchise, in circumstances where no renewal is granted;

c. The closing for the purchase will take place no later than sixty (60) days after delivery of written notice of Franchisor's exercise of its option is given to Franchisee. Franchisor has the unrestricted right to assign this option to purchase at any time. Franchisee must sign all documents of transfer reasonably necessary for purchase of the Franchise Operation by Franchisor, which documents shall include all customary representations and warranties from Franchisee as to ownership and condition of, and title to, the assets of the Franchise Operation being transferred. All assets must be transferred free and clear of all liens and encumbrances, with all sales and transfer taxes paid by Franchisee. Franchisee and its owners further agree to sign general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors, and assigns;

d. Franchisee agrees that it shall be obligated to operate the Franchise Operation according to this Agreement's terms, during the period in which Franchisor is deciding whether to exercise its option to purchase and until the closing takes place, and that a condition to closing is that the Franchise Operation has remained open during that time period. Franchisor may decide not to exercise its option to purchase at any time before closing if it determines that any of the conditions noted above have not been or cannot be satisfied; and

e. In the event that Franchisor does not exercise its right to purchase Franchisee's Operation as set forth above, Franchisee will be free, after such termination or expiration, to keep or to sell to any third party all of the physical assets of its Franchise Operation, provided such physical assets do not include any lists or accounts or service contracts; provided, however, that all Marks are first removed in a manner approved in writing by Franchisor.

18.6. **Obligations of Franchisee Upon Termination or Expiration.** Termination of this Agreement will not relieve the Franchisee of any right, duty, covenant, or obligation relating to the use of the Marks, the Software, the confidentiality and use of the Confidential Information, the maintenance of statements and records and inspection and auditing of records, covenants relating to non-competition, and other Franchisee covenants, Franchisee's post-term obligations, indemnification, and independent contractor status, the availability of equitable relief and payment of costs and expenses, governing law, and dispute resolution, severability and construction, and acknowledgments under the Franchise Agreement or any other Agreement. Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay all amounts then owed Franchisor or its affiliates pursuant to this Agreement or otherwise;

b. Cease identifying itself as a System4® Franchisee and cease using any Marks, trade secrets, signs, symbols, devices, trade names, or other materials of System4, LLC. as such relate to the Franchise Operation;

c. Immediately cease to identify the Franchise Operation as being, or having been, associated with Franchisor and immediately cease using the Marks and Licensed Methods;

d. Deliver to Franchisor all signs, sign-faces, advertising materials, forms, and other materials bearing any of the Marks or otherwise identified with Franchisor as such relate to the Franchise Operation;

e. Immediately deliver to Franchisor the Operations Manual and all other information, documents, and copies which are proprietary to System4, LLC. as such relate to the Franchise Operation;

f. Within ten (10) days of termination take such action required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any Marks or, at the option of Franchisor, assign the same to Franchisor, as such relate to the Franchise Operation;

g. Notify the telephone company and all telephone directory publishers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified, or other telephone directory listings associated with any Mark and to authorize their transfer to Franchisor or its designee. Franchisee acknowledges that, as between Franchisee and Franchisor, Franchisor has the sole rights to and interest in all telephone, telecopy, or facsimile machine numbers and directory listings associated with any Mark. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers as Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, telecopy, or facsimile machine numbers and directory listings relating to the Franchise Operation to Franchisor or its designee, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of Franchisor's exclusive rights in such telephone numbers and directory listings and Franchisor's authority to direct their transfer;

h. Immediately deliver to the Franchisor a complete list of Franchisee's employees, subcontractors and suppliers, their respective addresses, and any outstanding amounts Franchisee may owe to any third party.

i. Immediately deliver to Franchisor all customer lists of the Franchise Operation;

j. Abide by all restrictive covenants set forth in Section 20 of this Agreement.

18.7. **State and Federal Law.** THE PARTIES ACKNOWLEDGE THAT, IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

18.8. **Assumption of Management.** Franchisor has the right (but not the obligation), under the circumstances described below, to enter the Franchise Operation and assume the Franchise Operation's management for any time period it deems appropriate. If Franchisor assumes the Franchise Operation's management, Franchisee must pay Franchisor (in addition to all other fees) three percent (3%) of the Franchise Operation's gross revenues, or $300 per day, whichever is greater, plus Franchisor's direct out-of-pocket costs and expenses, during this time, which would include travel, lodging and meals. If Franchisor assumes the Franchise Operation's management,

Franchisee acknowledges that Franchisor will have a duty to utilize only reasonable efforts and Franchisee will indemnify and hold harmless the Franchisor or its owners for any debts, losses, or obligations the Franchise Operation incurs, or to any of Franchisee's creditors for any supplies or services the Franchise Operation purchases, while Franchisor manages it. Franchisor may assume the Franchise Operation's management under the following circumstances:

a. if Franchisee abandons the Franchise Operation; or

b. if Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period Franchisor specifies in its notice to Franchisee, or

c. upon the death or disability of Franchisee or its owner.

The exercise of Franchisor's rights under subparagraphs A or B or C will not affect Franchisor's right to terminate this Agreement.

ARTICLE 19.
BUSINESS RELATIONSHIP

19.1. **Independent Businesspersons.** The parties agree that each of them is an independent businessperson, their only relationship is by virtue of this Agreement, and no fiduciary relationship is created under this Agreement. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business. Franchisor and Franchisee agree that neither of them will hold themselves out to be the agent, employer, or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other.

a. The Franchisor shall not provide any supervision to the employees of the Franchisee. The Franchisee shall maintain complete control over the hiring, firing, daily direction and supervision, compensation and employee policies for all employees of the Franchisee.

b. If any State or Federal government agency or insurance authority, or insurance company would determine that there is some type of “Joint Employment” relationship with the employees, franchisees, affiliates, service providers or subcontractors of the Franchisee and the Franchisor, the Franchisee shall indemnify the Franchisor for any and all expenses, litigation, or fines for which the Franchisor may be found to be liable under “Joint Employment” for actions of the Franchisee and/or their employees and subcontractors. However, if there is a proven circumstance in which the Franchisor is proven to have been negligent, then the Franchisor will bear the costs associated with its negligent acts.

19.2. **Payment of Third-Party Obligations.** Franchisor shall have no liability for Franchisee's obligations to pay any third parties, including, without limitation, any product vendors, or for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes levied upon Franchisee, Franchisee's property, the Franchise Operation, or Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

19.3. **Indemnification of Franchisor by Franchisee.** Franchisee agrees to indemnify, defend, and hold harmless Franchisor, its affiliates, and the respective shareholders, members, directors, officers,

employees, agents, successors, and assignees of Franchisor, and their affiliates (the "Indemnified Parties"), against, and to reimburse them for, all claims, obligations, and damages described in this Section 19.1, 19.2 or 19.3 any and all third party obligations described in and all claims and liabilities directly or indirectly arising out of the operation of the Franchise Operation or the use of the Marks and Licensed Methods in any manner, unless (and then only to the extent) caused by the Indemnified Party's negligence. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Each Indemnified Party shall have the right to defend any such claim against it at Franchisee's expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19.4. **Indemnification of Franchisee by Franchisor.** Franchisor agrees to indemnify, defend, and hold harmless Franchisee, its affiliates, and the respective shareholders, members, directors, officers, employees, agents, successors, and assignees of Franchisee, and their affiliates (the "Indemnified Parties"), against, and to reimburse them for, all claims, obligations, and damages arising as a result of Franchisor's negligence or gross misconduct, unless (and then only to the extent) caused by the Indemnified Party's negligence. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Each Indemnified Party shall have the right to defend any such claim against it at Franchisor's expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 20.
RESTRICTIVE COVENANTS

20.1. **Non-Competition During Term.** Franchisee acknowledges that, in addition to the license of the Marks, Franchisor also has licensed commercially valuable information which comprises the Licensed Methods, including, without limitation, operations, marketing, advertising, and related information and materials, and that the value of this information arises not only from the time, effort, and money which went into its compilation but also from the usage by all Franchisees. Franchisee therefore agrees that, other than the Franchise Operation neither Franchisee nor any of Franchisee's officers, directors, shareholders, members, partners or other owners, nor any spouse of Franchisee or any of these individuals (collectively, "Bound Parties"), shall during the term of this Agreement:

a. have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business," as defined below, wherever located or operating;

b. perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, wherever located or operating,

c. divert or attempt to divert any business related to the Franchise Operation, Franchisor's business, any other System 4™ Franchisee by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Franchisor, or another Franchisee, to any Competitive Business; or

d. directly or indirectly solicit or employ any person who is employed by Franchisor.

The term "Competitive Business," as used in this Agreement, shall mean any business operating, or granting franchises or licenses to others to operate, a Facility Services Management (FSM) business or a Janitorial business in which you will provide a variety of services, such as Janitorial, Carpet Cleaning, Window Washing, Pressure Washing, Hard Surface Floor Care, Landscaping, Parking Lot Sweeping, Pest Control, Painting, Handyman Services, Construction Cleanup, Snow Removal, Light Bulb Replacement, Document Shredding, HVAC, Plumbing, Electrical, Recycling Services, Hood Cleaning, Restroom Sanitizing. To include any other products and services that the Franchisee or Franchisor may provide from time to time during the term of this Agreement; however, neither Franchisee nor the other Bound Parties shall be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the counter market and represent five percent (5%) or less of that class of securities issued and outstanding.

20.2. **Post-Termination Covenant Not to Compete.** For a period of two (2) years from the effective date of termination or expiration of this Agreement for any reason, or the date on which Franchisee and all other Bound Parties begin to comply with this Section, whichever is later, neither Franchisee nor any other Bound Party shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative, agent, or in any other capacity in any Competitive Business located or operating within a one hundred (100) mile radius of the former Franchise Operation or within a one hundred (100) mile radius of any other System4 Franchise Operation or any Franchisor owned Operation, existing on the later of the effective date of termination or expiration of this Agreement or the date on which Franchisee and all other Bound Parties begin to comply with this Section. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Franchisee and the other Bound Parties expressly acknowledge that they possess skills and abilities of a general nature and have other opportunity for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

20.3. **Additional Remedies for Breach.** In addition to any other remedies or damages allowed under this Agreement, if Franchisee breaches the covenants set forth in Sections 20.1 or 20.2, Franchisee shall pay Franchisor a fee equal to Franchisor's then-current Initial Franchise Fee for each Competitive Business or Branded Business opened in violation of the covenants, plus eight percent (8%) of such Business's gross sales until expiration of the non-competition period set forth in Section 20.2.

20.4. **Confidentiality of Proprietary Information.** Franchisee shall treat all information it receives which comprises the Licensed Methods (including, without limitation, the Operations Manual) as

proprietary and confidential and not use such information in an unauthorized manner or disclose the same to any unauthorized person Franchisee agrees that all such material is the sole property of Franchisor. Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that their protection and maintenance are essential to Franchisor, and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to Franchisor. All ideas, concepts, techniques, or materials concerning a System4 Franchise Operation whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed Franchisor's sole and exclusive property, part of the System4 Licensed Methods, and deemed "works made-for-hire" for Franchisor. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents that Franchisor requests to show ownership or to help Franchisor obtain intellectual property rights in the item.

20.5. **Confidentiality Agreement.** Franchisor reserves the right to require that Franchisee cause each of its Bound Parties and Designated Managers (and, if applicable, the spouse of a Designated Manager) to execute a Nondisclosure and Non-competition Agreement containing the above restrictions in a form approved by Franchisor.

ARTICLE 21.
DISPUTES

21.1. **Governing Law/Consent to Venue and Jurisdiction.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the State of Ohio, and any dispute between the parties, whether arising under this Agreement or from any other aspect of the parties' relationship, shall be governed by and determined in accordance with the substantive laws of the State of Ohio, which laws shall prevail in the event of any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee or any Bound Party and Franchisor, which claim is not subject to arbitration pursuant to Section 21.3, the parties agree that the exclusive venue for disputes between them shall be in the Courts of proper jurisdiction located in the State of Ohio, or the United States District Court for Ohio, and each party waives any objection it might have to the personal jurisdiction of or venue in such courts.

21.2. **Informal Dispute Resolution**. If a dispute arises out of or relates to this Agreement or the breach hereof, or to the relationship of the parties hereto, and if said dispute cannot be resolved or settled through negotiation, the parties agree that prior to the filing of any arbitration, or other legal action consistent with the provisions of this Agreement,

a. They will first attempt, in good faith, to settle the dispute by non-binding mediation administered pursuant to the Commercial Mediation Rules of the American Arbitration Association, or as otherwise agreed upon by the parties. The mediation shall take place in the geographic area in

which Franchisee conducts its business and shall be administered by a neutral mediator agreed upon by the parties.

b. In the event the parties are unable to so agree upon a mediator within 15 days of the date on which either party requests mediation of a matter, the mediator shall be provided by the American Arbitration Association. Except with respect to matters for which Franchisor believes it is necessary to seek equitable relief, Franchisee and Franchisor agree to enter into mediation of all disputes in connection with this Agreement or any other aspect of the relationship between them, for a minimum of four (4) hours prior to the initiation of any legal action or claim against the other.

c. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) days from the date the notice of intention to mediate is received, or if the designated organization is unwilling to serve as mediator or does not meet the requirements of this paragraph then, the initiating party may designate such an organization.

d. Once the organization is designated, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to Franchisor and Franchisee. The mediation shall be held within sixty (60) days following receipt by the mediation organization of notification that its services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The person actually mediating the dispute shall be required to have a substantial amount of experience in franchising, either as a Franchisee, a Franchisor or a Franchisee (or as an officer or executive of such an entity) or in franchise law. The parties shall share equally the cost of the mediator. The mediator shall select the location for the mediation giving due consideration to the location that will minimize the total expenses of the mediation. The mediation shall not be binding unless the parties agree otherwise. The costs of such mediation shall be shared equally by the parties. In the event the parties are unable to resolve their dispute through mediation, they shall arbitrate the matter pursuant to Section 21.3.

21.3. **Mandatory and Binding Arbitration.** Except for controversies, disputes or claims related to or based on: (1) any action by Franchisor to stop or prevent any threat or danger to public health or safety in connection with the operation of the Franchise; or (2) the improper or unauthorized use of the Marks by Franchisee (including any of Franchisee's owners and principals) all controversies, disputes or claims between Franchisor (including its subsidiaries, affiliates, shareholders, officers, directors, managers, representatives and employees) and Franchisee (including its owners, principals and guarantors, if applicable) arising out of or related to:

a. This Agreement or any other agreement between them or any provision of any agreement between them or the validity of any such agreement or provision;

b. Franchisor's relationship with Franchisee; or

c. Any standard, specification, or operating procedure relating to the establishment or operation of the Franchise Operation;

d. Will be submitted to and for binding arbitration in front of a single arbitrator of the American Arbitration Association (or any other alternative dispute resolution organization acceptable to the parties) conducted in accordance with its then current franchising arbitration rules, if any, otherwise its then current commercial arbitration rules at its office located nearest to the Franchisor on the demand of either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§1 et. seq.) and not by any state arbitration law.

e. The arbitrator will have the right to award or include in the award any relief which the arbitrator deems proper in the circumstances including without limitation money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, attorney fees and costs (including the costs of arbitration) provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or, except as otherwise provided in this Agreement, to award exemplary, punitive, penal or multiple (e.g. double or treble) damages. The award and decision of the arbitrator will be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.

f. The arbitrator will not have the authority or right to add to, delete, amend or modify the terms, conditions or provisions of this section. All findings, decisions and awards of the arbitrator will be limited to the dispute(s) set forth in the written demand for arbitration (and any submitted counterclaim) and the arbitrator will not have authority to decide any other issues unless the parties mutually agree thereto.

g. Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that in connection with any such arbitration proceeding each must submit or file any claim which would constitute a compulsory counterclaim (within the meaning of Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not so submitted or filed will be forever barred.

h. Franchisor and Franchisee agree that arbitration will be conducted only on an individual, not a class-wide, basis, and that an arbitration proceeding between Franchisor (including solely at its election, and any of their respective subsidiaries, affiliates, shareholders, officers, directors, managers, representatives and employees) and Franchisee (including its owners, principals and guarantors, if applicable) may not be consolidated with any other arbitration proceeding between them and any other person or legal entity. No findings, conclusions, orders or awards emanating from any arbitration proceeding conducted hereunder may be introduced, referred to or used in any subsequent or other proceeding as a precedent, to collaterally estop any party from advancing any claim or defense or from raising any like or similar issues, or for any other purpose whatsoever. The parties agree that the principles of collateral estoppel shall not apply in any arbitration proceeding conducted under this section.

i. Except as necessary to protect or enforce Franchisor's or Franchisee's rights in the proceeding, the arbitration proceeding and all information disclosed therein shall be maintained confidential.

21.4. **Other Remedies.** Notwithstanding anything to the contrary contained in this section, Franchisor and Franchisee each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction with exclusive

venue and jurisdiction therefore in the state and federal courts located closest to the Franchisor's corporate office, provided however, that each must contemporaneously submit the dispute for arbitration on the merits as provided herein except for the types of disputes specified in the first paragraph of this Section 21.3. Franchisee (and its owners, guarantors and principals) irrevocably submits to the jurisdiction of such courts and waives any objection it may have to either the jurisdiction or venue of such courts.

a. Except as otherwise provided in this Agreement, the court will have the right to award any relief which it deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs.

b. The provisions of this section are intended to benefit and bind certain third-party non-signatories (including without limitation Franchisee's owners and guarantors) and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

21.5. **Limitations**. Notwithstanding any provision of law which provides for a longer limitations period, Franchisor and Franchisee agree that neither will bring, commence or maintain an action or claim of any kind, in connection with any liability or obligation of the other party arising in connection with this Agreement or the relationship created hereby, or otherwise, unless brought before the expiration of the earlier of

a. One (1) year after the date of discovery of the facts resulting in such alleged liability or obligation, or if earlier, the date such facts should or could have been discovered with reasonable diligence; or

b. Eighteen (18) months after the date of the first act or omission giving rise to such alleged liability or obligation. Actions and claims brought or asserted after expiration of the applicable limitations period shall be barred.

Notwithstanding any provision of law to the contrary and except as expressly otherwise provided herein, Franchisee (including its owners, principals and guarantors, if applicable) hereby waives to the fullest extent permitted by law, any right or claim to any punitive, exemplary, penal, multiple, incidental, indirect, special, consequential or other damages (including without limitation loss of profits) against Franchisor (including their respective subsidiaries, affiliates, shareholders, officers, directors, managers, representatives and employees, in their corporate and individual capacities) arising out of any cause or claim whatsoever (whether based in tort, negligence, contract, strict liability or otherwise) and agrees that in the event of a dispute, Franchisee (including its owners, principals and guarantors, if applicable) shall be limited to the recovery of actual damages sustained. If any other provision of this Agreement is determined to be unconscionable or unenforceable for any reason, the foregoing waiver by agreement of the types of damages specified above, excluding actual damages, shall continue in force and effect.

Thereafter, should either Party incur attorneys' fees in order to enforce the terms and conditions of this Agreement, the Party not in default shall be entitled to reimbursement of such attorneys' fees and costs, in addition to any other remedies either Party may have at law or in equity.

ARTICLE 22.
SECURITY INTEREST

22.1. **Collateral.** Franchisee grants Franchisor a security interest ("Security Interest") in all of the following Collateral: cash on hand/or in the bank, any accounts receivable, furniture, fixtures, equipment, agreements with Franchisee's, Subcontractors, and with contractors for customers serviced by Franchisee or its subcontractors, customer lists, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the Franchise Operation, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchise Operation.

22.2. **Indebtedness Secured.** The Security Interest is to secure payment of the following (the "Indebtedness"):

a. All amounts due under this Agreement or otherwise by Franchisee;

b. All sums which Franchisor may, at its option, expend or advance for the Management of the Franchise Operation as outlined in Item 18, in order to preserve, and protect of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the indebtedness;

c. All expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting its rights under the Security Interest and this Agreement; and

d. All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third-parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisee executes any extension agreement or renewal instruments.

22.3. **Additional Documents.** Franchisee will from time to time as required by Franchisor join with Franchisor in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Franchisor.

22.4. **Possession of Collateral.** Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral.

22.5. **Remedies of Franchisor in Event of Default.** Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the indebtedness secured shall, at the option of Franchisor and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under, the Uniform Commercial Code of the state in which the Franchise Operation is located, including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially

reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth below.

22.6. **Special Filing as Financing Statement.** This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 23.
MISCELLANEOUS PROVISIONS

23.1. **Modification**. No amendment, waiver, or modification of this Agreement shall be effective unless it is in writing and signed by Franchisor and Franchisee. Franchisee acknowledges that Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent to which Franchisor deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods.

23.2. **Entire Agreement.** This Agreement, together with all written related agreements, exhibits, and attachments, constitutes the entire understanding of the parties and supersedes all prior negotiations, commitments, and representations. Nothing in this or in any related agreement, however, is intended to disclaim the representations made by Franchisor in the franchise disclosure document that Franchisor furnished you.

23.3. **Delegation by Franchisor.** From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents of Franchisor or independent contractors with which Franchisor has contracted to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations under this Agreement. Franchisee acknowledges and agrees that Franchisor may not be bound, and this Agreement may not be modified without Franchisor's prior written consent. Franchisee acknowledges and agrees that any such delegation of Franchisor's duties and obligations to a third party does not assign or confer any rights under this Agreement and that such delegates are not intended third party beneficiaries of this Agreement.

23.4. **Agreement Effective.** This Agreement shall not be effective until accepted by Franchisor as evidenced by dating and signing by an officer of Franchisor.

23.5. **Review of Agreement.** Franchisee acknowledges that Franchisor has provided Franchisee with a Franchise Disclosure Document at least fourteen days (14) days before Franchisee executed this Agreement or before Franchisee made any payment or gave any consideration for the Franchise to Franchisor. Franchisee further acknowledges that Franchisee has read that Franchise Disclosure Document; understands its contents; that Franchisor has fully and adequately explained the provisions of it to Franchisee's satisfaction; and that Franchisor has provided Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that Franchisee has

had ample opportunity to consult with Franchisee's own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to this Agreement or the relationship created by this Agreement.

23.6. **Attorneys' Fees.** In the event of any default on the part of either party to this Agreement, in addition to all other remedies, the party in default will pay the prevailing party (as determined by the decision-maker in the proceeding) all amounts due and all damages, costs, and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action or other proceeding as a result of such default, plus interest at the lesser of two percent (2%) per month or the highest commercial contract interest rate allowable by law accruing from the date of such default. Additionally, if Franchisee withholds any amounts due Franchisor, Franchisee shall reimburse Franchisor's costs of collecting such amounts, including reasonable attorneys' fees and expenses.

23.7. **Injunctive Relief.** Nothing herein shall prevent Franchisor or Franchisee from seeking injunctive relief in appropriate cases to prevent irreparable harm.

23.8. **No Waiver.** No waiver of any condition or covenant contained in this Agreement, or failure to exercise a right or remedy, by Franchisor or Franchisee shall be considered to imply or constitute a further waiver by Franchisor or Franchisee of the same or any other condition, covenant, right, or remedy.

23.9. **No Right to Set Off.** Franchisee shall not be allowed to set off amounts owed to Franchisor or its affiliates for any fees, or other amounts due against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

23.10. **Invalidity.** If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element, and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

23.11. **Franchisee Defined and Guaranty.** As used in this Agreement, the terms "Franchisee" and "Franchisees" will include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and will be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but will also include all partners of the entity that executes this Agreement, in the event that entity is a partnership, and all shareholders, officers and directors of the entity that executes this Agreement, in the event that entity is a corporation. By their signatures to this Agreement, all partners, shareholders, officers and directors of the entity that sign this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. The singular usage includes the plural and the masculine usage includes the feminine. All partners, shareholders, officers and directors of the entity executing the Franchise Agreement are required to execute the Guaranty and Assumption of Obligations which is attached to this Franchise Agreement as Exhibit A 3..

23.12. **Notices.** All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first paragraph of this Agreement, or at the Franchise Operation location's address (after Franchisee's Franchise Operation has first opened for business), or at such other addresses as Franchisor or Franchisee may designate from time to time, and shall be deemed delivered (a) on the date shown on the return receipt or in the courier's records as the date of delivery or (b) on the date of first attempted delivery, if actual delivery cannot for any reason be made.

23.13. **Acknowledgment.** BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE ACKNOWLEDGES THAT:

(a) THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

(b) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(c) NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY FRANCHISE DISCLOSURE DOCUMENT SUPPLIED TO FRANCHISEE, IS BINDING ON FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

This Agreement is dated: _____, 2022.

SYSTEM4, LLC:	THE FRANCHISEE:
By: _____	By: _____
Print Name:	*Print Name:*
Its: _____	Its: _____

JOINDER

The parties signing below constitute all the Franchisee's beneficial and legal owners. Each of such parties agrees that he or she is jointly and severally liable with each other and the Franchisee for the timely and complete performance and payment of all the Franchisee's obligations under this Agreement, as it may be modified from time to time (with or without that party's consent), and is bound by all the terms of the Agreement as if he or she were the Franchisee thereunder (as well as bound by all the provisions of the Agreement applicable to Restricted Parties under ARTICLE 20).

_____	_____
Print Name:	***Print Name***:
Ownership Percentage: _____ %	Ownership Percentage: _____ %

_____ _____

Print Name **Print Name**

Ownership Percentage: _____ % Ownership Percentage: _____%

RESTRICTED PARTY JOINDER

Each of the parties signing below, being a "Restricted Party" under ARTICLE 20 of the Franchise Agreement, agrees that he or she is bound by the terms of ARTICLE 20 and all other provisions in the Franchise Agreement pertaining to preserving Franchisor's confidential information and trade secrets, including those in ARTICLE 20.

_____

(signature)
Print Name:

EXHIBIT A.1 TO
FRANCHISE AGREEMENT

TERRITORY AND INITIAL FRANCHISE FEE ADDENDUM
TO

SYSTEM4, LLC'S

FRANCHISE AGREEMENT

1. **The Franchise Territory.** The Franchise Territory, referred to in Section 3.1 of the Agreement, consists of the following counties in the state of:

2. **Location of the Franchise**. The Franchise Operation shall be situated within the Franchise Territory pursuant to Section 6 of the Agreement.

3. **Initial Franchise Fee.** Franchisee shall pay to Franchisor an Initial Franchise Fee, referenced in Section 4.1 of the Agreement, as follows:

4. **Training.** The following individuals shall attend Franchisor's initial training program, as described in Section 7.1 of the Agreement:

SYSTEM4, LLC:	THE FRANCHISEE:
By: _____	By: _____
Print Name:	*Print Name:*
Its: _____	Its: _____

Exhibit A.1.A
Franchise Agreement
Royalty Based on Net Margin

NET MARGIN			Royalty % of Sales
1.00%	to	5%	1.0%
5.01%	to	7%	1.2%
7.01%	to	8%	1.3%
8.01%	to	9%	1.5%
9.01%	to	10%	1.6%
11.01%	to	12%	1.8%
12.00%	to	13%	2.0%
13.00%	to	14%	2.1%
14.01%	to	15%	2.2%
15.01%	to	16%	2.4%
16.01%	to	17%	2.5%
17.01%	to	18%	2.7%
18.01%	to	19%	2.8%
19.01%	to	20%	3.0%
20.01%	to	21%	3.1%
21.01%	to	22%	3.3%
22.01%	to	23%	3.4%
23.01%	to	24%	3.6%
24.01%	to	25%	3.7%
25.01%	to	26%	3.9%
26.01%	to	27%	4.0%
27.01%	to	28%	4.2%
28.01%	to	29%	4.3%
29.01%	to	30%	4.5%
30.01%	to	31%	4.6%
31.01%	to	32%	4.7%
32.01%	to	33%	4.9%
33.01%	to	34%	5.1%
34.01%	to	35%	5.2%
35.01%	to	36%	5.4%
36.01%	to	37%	5.5%
37.01%	to	38%	5.7%
38.01%	to	39%	5.8%
39.01%	to	40%	6.0%
40.01%	to	41%	6.1%
41.01%		and up	6.2%

EXHIBIT A.2
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name _____ (if different from above):

Form of Ownership

Limited Liability Company

Provide the state and date of incorporation and list the names and addresses of each officer, director, manager or owner and, with respect to each owner, what percentage of stock or interest is owned by each. State_____ Date Incorporated_____

1) _____	**2) _____**
Print Name_____	**Print Name**_____
Title_____	Title_____
% Ownership_____	% Ownership_____
SSN #_____	SSN #_____
Address_____	Address_____
_____	_____

Provide the address where Franchisee's financial records and legal company records, as applicable, are maintained (Franchise Operation location will be deemed to be the address unless otherwise stated below)

_____

_____

_____

Franchisee acknowledges that this Statement of Ownership applies to the Franchise Operation authorized under the Franchise Agreement.

Date: _____

GUARANTY AND ASSUMPTION OF OBLIGATIONS
Exhibit A.3

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("Guaranty"), dated _____, made by _____ (Collectively, Guarantors"), in favor of System4 LLC, an Ohio limited liability company ("System4").

WHEREAS, the Guarantors, and each of them, desire to guarantee the obligations of, _____ **("Franchisee"),** under that certain Franchise Agreement by and between Franchisee and System4, of even date herewith **("Franchise Agreement");** and

WHEREAS, System4 requires such guarantee under the terms of the Franchise Agreement;

NOW, THEREFORE, in consideration of the covenants and conditions herein set forth, and in order to induce System4 to enter into the Franchise Agreement, the Guarantors, and each of them, hereby agree, for the benefit of Franchisee, its successors and assigns, as follows:

SECTION 1. Guaranty. Guarantors and each of them hereby unconditionally guarantee the punctual payment when due, whether at stated maturity, by acceleration or, otherwise, of all obligations of Franchisee now or hereafter existing under the Franchise Agreement, whether for fees, expenses, interest, or otherwise (such obligations being "Obligations"), and agree to pay any and all expenses (including attorney fees and expenses) incurred by System4 in enforcing any rights under this Guaranty.

SECTION 2. Guaranty Absolute. Guarantors and each of them guarantee that the Obligations will be paid strictly in accordance with the terms of the Franchise Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of System4 with respect thereto. The liability of the Guarantors under this Guaranty will be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Franchise Agreement or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Franchise Agreement;

(iii) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, Franchisee or a Guarantor.

This Guaranty will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by System4 upon the insolvency, bankruptcy or reorganization of Franchisee or otherwise, all as though such payment had not been made.

SECTION 3. Waiver. Guarantors hereby waive promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty and any requirement that System4 protect, secure, perfect or insure any security interest or lien or, any property subject thereto or exhaust any right or take any action against Franchisee or any other person or entity or any collateral.

SECTION 4. Waiver of Subrogation. Notwithstanding anything to the contrary in this Guaranty, Guarantors hereby irrevocably waive all rights they may have at law or in equity, to the extent that such rights may interfere with any claim or demand by System4 under the Franchise Agreement or this Guaranty (including, without limitation, any law subrogating the Guarantors to the rights of System4), to seek contribution, indemnification, or any other form of reimbursement from Franchisee, any other Guarantor, or any other person now or hereafter primarily or secondarily liable for any obligations of Franchisee to System4, for any disbursement made by the Guarantors under or in connection with this Guaranty or otherwise. If (i) Guarantors will make payment to System4 of all or any part of the Obligations and (ii) all the Obligations will be paid in full, System4 will, at Guarantors' request, execute and deliver to Guarantors appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to Guarantors of an interest in the Obligations resulting from such payment by Guarantors.

SECTION 5. Amendments, Etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantors therefrom will in any event be effective unless the same will be in writing and signed by System4, and then such waiver or consent will be effective only in the specific instance and for the specific purpose for which given.

SECTION 6. No Waiver: Remedies. No failure on the part of System4 to exercise, and no delay in exercising any right hereunder will operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 7. Continuing Guaranty: Transfer of Franchise Agreement. This Guaranty is a continuing guaranty and will (i) remain in full force and effect until payment in full of the Obligations and all other amounts payable under this Guaranty, (ii) be binding upon the Guarantors, their successors and assigns, and (iii) will remain in full force and effective, notwithstanding the termination, expiration, assignment (with or without the consent of System4); and (iv) inure to the benefit of and be enforceable by System4 and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii). System4 may assign or otherwise transfer the Franchise Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to System4 herein or otherwise.

[Remainder of this page intentionally left blank]

SECTION 8. Governing Law. This Guaranty will be governed by, and construed in accordance with, the laws of the State of Ohio.

IN WITNESS WHEREOF, Guarantors have executed this Guaranty as of the date first above written.

GUARANTOR	**GUARANTOR**
Print Name: _____	Print Name: _____
Percentage of Ownership in Franchisee: ____%	Percentage of Ownership in Franchisee: ____%
Address: _____	Address: _____
_____	_____
Social Security Number: _____	Social Security Number: _____

EXHIBIT A.4

INSTALLMENT COLLATERAL NOTE and SECURITY AGREEMENT

Date: _____ Principal Amount: _____

FOR VALUE RECEIVED, the undersigned _____ ("Franchisee") agrees to pay to the order of System4, LLC. ("FRANCHISOR") in lawful money of the United States of America, the principal sum of _____ ($_____) with interest from the date hereof at the rate of Twelve Percent (12%) per annum on the unpaid balance of said principal sum until paid. The undersigned further promises to pay that principal sum and interest in installments as follows:

Initial installment of _____ ($_____) and ___ successive monthly installments of _____ ($_____) each on the tenth (10^{th}) day of each succeeding calendar month (unless such (10^{th}) tenth day falls on a Saturday, Sunday or Legal Holiday, then such payment shall be due on the next business day) until all such payments have been made, on which date the entire balance of principal and interest unpaid shall be due and payable.

The monthly payments shall begin _____

It is agreed that each installment, when paid, shall be credited first to interest then due and the remainder to principal. Should the interest not be so paid, it shall, at the sole option of FRANCHISOR, become part of the principal and thereafter bear like interest as the principal.

Should default be made in the payment of any installment of principal or interest when due, then the whole sum of principal and interest shall become immediately due and payable at the option of FRANCHISOR, with interest from the date of such default at the rate of eighteen percent (18%) per annum until paid on the entire unpaid principal and interest.

Furthermore, this note and all other obligations, direct or contingent, of Franchisee or any endorser hereof to FRANCHISOR, shall become fully due and payable immediately at the option of FRANCHISOR without demand or notice upon the happening of any of the following events:

1. The failure of Franchisee to pay when due any installment of the principal and/or interest of this note.

2. The failure of Franchisee to timely keep or properly perform any of the recitals, covenants, conditions, representations, warranties, obligations or guarantees contained in any agreement between FRANCHISOR and Franchisee.

3. The levy of any attachment, execution, or any other process against all or any part of the assets of Franchisee.

4. The failure of Franchisee to pay, withhold, collect or remit any tax or tax deficiency when assessed

5. The suspension of the Franchise Business by the Franchisee, or the making of a general assignment for the benefit of creditors, or the commencement of proceedings for dissolution or liquidation, or the commencement of proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law or statute of the federal or state governments, or the adjudication as bankrupt or

insolvent, or the involuntary appointment of a receiver, or applications therefore, or the making of a bulk sale or the giving notice of intention to do so.

6. At any time when, in the sole opinion of the FRANCHISOR, the Franchisee's financial responsibility shall become impaired or unsatisfactory.

There shall be no penalty for pre-payment of any portion of this note prior to its maturity.

In the event an attorney is employed by FRANCHISOR to enforce any of these terms, Franchisee shall pay reasonable costs and attorney's fees in connection therewith, and such amount shall be secured hereby.

The obligation evidenced by this note is to be construed in accordance with the laws of the State or District in which the Franchisee locates its Franchise Operation.

Security Agreement.

Grant of Security Interest. **Franchisee** hereby grants Franchisor a security interest ("Security Interest") in all of the following Collateral: cash on hand or in the bank, any accounts receivable, furniture, fixtures, equipment, agreements with Franchisee's Subcontractors, and with contracts for customers serviced by Franchisee or its Subcontractors, customer lists, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the Franchise Operation, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Franchise Operation. Franchisee acknowledges and agrees that FRANCHISOR may file a Uniform Commercial Code Financing Statement in the state and/or county of Franchisee's business, to perfect this security interest.

This Installment Collateral Note and Security Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

THE FRANCHISEE: _____

A(n) _____ corporation/limited liability company

By: _____

Print Name:

Its:

Guarantors:

_____

(signature)

Print Name: _____

Guarantors:

_____

(signature)

Print Name: _____

EXHIBIT A.5

TELEPHONE NUMBER, INTERNET DOMAIN NAME
AND E-MAIL ADDRESS ASSIGNMENT

This Assignment is made and entered into by and between System4, LLC, d.b.a. System4, located at 4700 Rockside Road, Suite 610, Independence, Ohio 44131, hereinafter referred to as "Franchisor" and _____ hereinafter referred to as " Franchisee."

WHEREAS, Franchisee has acquired a franchise from Franchisor for the operation of a business using the systems of the Franchisor, by signing a Franchise Agreement dated _____ referred to as the " Franchise Agreement");

WHEREAS, in consideration of the Franchisor granting the franchise to Franchisee, Franchisee agreed in the Franchise Agreement to sign an Assignment to the Franchisor of its telephone number(s), internet domain name(s) and e-mail address(es) to be effective upon termination or expiration without renewal of the Franchise Agreement, or transfer of the Franchise Agreement without transfer of the telephone number(s), internet domain name(s) and/or e-mail address(es);

NOW, THEREFORE, it is hereby agreed as follows:

1. Telephone Numbers, Domain Name and E-mail Information -Power of Attorney. Franchisee acknowledges and agrees that, upon termination or expiration without renewal of the Franchise Agreement, or transfer of the Franchise Agreement without transfer of the telephone number(s), internet domain name(s) and/or e-mail address(es), all telephone numbers, domain names and e-mail addresses used in the conduct of Franchisee's System 4 business, as licensed by the Franchise Agreement, including but not limited to: www.System4.com; ; and Telephone number _____ are hereby assigned by Franchisee to Franchisor and shall become the sole property of Franchisor, or its successor or assign. It is agreed that this Assignment covers not only the above telephone numbers, domain name and e-mail addresses, but any additional telephone number (s) domain name(s) and e-mail addresses(s) used by the Franchisee in conducting advertising or marketing of its System 4 business. Franchisee hereby appoints the Franchisor as its attorney in fact to include in the Assignment, at any time, any telephone number(s), domain name(s) and e-mail address(es) used by Franchisee in the conduct of its System 4 business. However, the failure to include such telephone number (s), domain name(s) and/or e-mail address(es) will not affect Franchisor's rights regarding the Assignment.

2. Assignment. The Assignment becomes effective upon Franchisor's notice to the telephone company responsible for providing Franchisee's telephone service and internet company(ies) responsible for assigning domain names and/or e-mail addresses of the Franchisor's acceptance of the Assignment provided pursuant to Paragraph 4. Franchisee shall be responsible for the payment of all telephone and internet charges incurred prior to the effectiveness of the Assignment.

3. Consent. Franchisee hereby consents and authorizes any and all telephone companies, telephone directory services, internet companies and other public or private businesses containing, using,

or authorizing any of the telephone numbers, domain names and/or e-mail addresses described in Paragraph 1 above, to immediately recognize this Assignment upon receipt of written notice from Franchisor. A copy of this Assignment, certified by an officer of the Franchisor, is agreed to be as valid and binding as the original.

4. Notice. Franchisor shall give notice of its acceptance of the Assignment of the telephone numbers, domain names and e-mail addresses pursuant to this Agreement by either delivering the Notices of Acceptance personally or sending them by certified or registered mail with postage fully paid and depositing them in the United States Mail. Notices shall be given to the Franchisee and to all other telephone companies, internet companies and other businesses that are to recognize the Assignment. All notices to the Franchisee shall be addressed to the address indicated above, or to any subsequent address of which Franchisor is notified of in writing. Any notice delivered by mail in the manner set forth above shall be deemed delivered and received three days after mailing.

IN WITNESS WHEREOF, the Parties here to have entered into this Agreement on _____.

SYSTEM4, LLC:	THE FRANCHISEE:
By: _____	By: _____
Print Name:	*Print Name:*
Its: _____	Its: _____

EXHIBIT A.6 to FRANCHISE AGREEMENT

SOFTWARE LICENSE ADDENDUM

System4, LLC**,** an Ohio company, has its principal office at 4700 Rockside Road, Suite 610, Independence, Ohio 44131 ("Franchisor) and hereby grants this trade secret software license ("License") _____ ("Licensee") with an office located _____.

WITNESSETH:

WHEREAS, the parties hereto have contemporaneously herewith, executed and entered into that certain Franchise Agreement, wherein Licensee is granted a Franchise pursuant to the terms and conditions set forth in such Franchise Agreement; and

WHEREAS, an essential condition of that certain Franchise Agreement between the parties hereto is the Licensee's implementation of and use of a proprietary software ("Proprietary Software Package"); and

WHEREAS, as a condition precedent for the licensing of the Proprietary Software Package, the parties hereto have agreed to enter into a License Agreement.

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

1. **License:** Franchisor grants solely to Licensee a non-exclusive license ("License") to use its trade secrets for operating the Franchise as embodied in a third-party internet accessed software platform service, as updated and enhanced from time to time "Proprietary Software" and which much be licensed under a separate agreement. This includes but is not limited to System4 Playbooks, User Guides, Billing, Affiliate Subcontractor Software and "ServiceSync" software.

2. **Term:** This License shall be for a term of year (1) to be renewed automatically for additional one (1) year terms unless: (1) written notice to the contrary is given by Franchisor, or (2) Licensee fails to pay any license fee and/or monthly maintenance fee, or (3) this License is terminated for another reason, including violations of other terms of this Addendum or terms of the Franchise Agreement.

3. **Support/Training:** Franchisor or its agents shall be responsible for the technical support provided by Franchisor which shall include responses to questions related to the use of the "Proprietary Software," assistance in installing, using and maintaining the "Proprietary Software" and any "Proprietary Software" upgrades.

   A. Franchisor will not provide support for computer and network equipment etc., third-party software products, general operating systems or third-party costs incurred due to Licensee error or neglect.

   B. Franchisor will provide initial training for Licensee's employees, either at Franchisor's offices or over the telephone.

C. Franchisor or a designated agent may provide additional training requested by Licensee, provided Licensee pays all the expenses for such training.

4. **Monthly Fee for Use and Maintenance of "Proprietary Software":** Licensee shall pay a monthly maintenance and license fee of $350.00 per month per location. Such fee shall be paid via a direct debit from the Licensee's bank account. Any annual renewal rate shall not be in excess of a 10% increase. The fee shall be due on the tenth (10^{th}) day of each month, beginning with the second full month of Licensee's Franchise Operation being open for business, unless such due date falls on a Saturday or a Sunday or a Legal Holiday, in such instance, the fee shall be paid on the next business day. Failure to make any payments due under this Addendum and/or under the Franchise Agreement shall constitute a material breach of this Addendum and the Franchise Agreement and entitle Franchisor to the rights and remedies described in paragraph 9 of this Addendum.

5. **Authorized Usage:** The Licensee agrees to use "Proprietary Software" only in the operation of its Franchise Operation and shall not otherwise copy or allow third party access to it by anyone other than an authorized user for authorized use. Licensee shall make every effort to prevent others from accessing the "Proprietary Software" by changing passwords for any terminated employees immediately upon termination for any reason and monitoring usage of "Proprietary Software." Licensee agrees not to create derivative works from "Proprietary Software," reverse engineer, or use or attempt to obtain any techniques, algorithms, processes, trade secrets, or proprietary information contained in" Proprietary Software."

6. **Protection of Product:** Licensee agrees not to make available to any party the product or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties with access to "Proprietary Software" to obtain assurances of non-disclosure consistent with this Addendum. Licensee acknowledges that the Proprietary Software embodies and includes valuable Franchisor trade secrets that are required to be used consistently in operating the Franchise by Licensee and its sub-contractors. Licensee agrees to keep "Proprietary Software," and all related materials, strictly confidential at all times. Licensee will use its best efforts, including any reasonable security precautions as Franchisor may request, to ensure that the proprietary rights are preserved to the fullest extent possible under the law.

7. **Assignment and Sub-Licensing:** This License cannot be assigned or sublicensed by Licensee to any other person or entity, unless written authorization is given by Franchisor's President/CEO of System4 LLC. Licensee shall not rent, lease, transfer, network, reproduce, display, or otherwise distribute "Proprietary Software" except as specifically provided in this Addendum. Licensee understands that unauthorized reproduction of copies or use, or transfer of "Proprietary Software" may entitle Franchisor to recover financial damages and reasonable attorney's fees for enforcing its rights under this Addendum.

8. **Limited Warranty and Disclaimer of Liability:** Franchisor does not and cannot warrant the performance or results that may be obtained by the use of "Proprietary Software", and specifically disclaims all implied warranties, including merchantability and fitness for a particular purpose.

Franchisor shall not be liable for any indirect, incidental, or consequential damages, including, but not limited to, lost profits from any cause arising out of or in any way connected with the product, nor for any claim or demand by or against licensee. This limitation of liability shall not apply to liability for death or personal injury to the extent applicable law prohibits such limitation. Furthermore, some states do not allow the exclusion or limitation of incidental or consequential damages, so this limitation and exclusion may not apply to licensee.

9. **Termination by Franchisor**: The parties agree that any of the following will be a default under the terms of this Addendum, will entitle Franchisor to terminate this Addendum, and will authorize Franchisor to terminate Licensee's access to "Proprietary Software" immediately upon written notice:

A. Failure to comply with any and all of the terms and/or covenants of this Addendum or the Franchise Agreement; or

B. Termination or expiration of Licensee's System4 Franchise Agreement for any reason.

Upon termination of this Addendum, Licensee shall immediately deliver to Franchisor all products, and copies of "Proprietary Software" and related materials in its possession.

Franchisor shall also be entitled to enforce any and all other right(s) and/or remedies it may have under law and/or under the terms of this Addendum and/or the Franchise Agreement.

10. **Termination by Licensee:** If Franchisor breaches this Addendum; Licensee shall give Franchisor written notice of the breach. Franchisor shall have ten (30) days from the date notice is provided to cure the breach. If the breach is not cured within the 30-day period, Licensee will be entitled to immediately terminate this Addendum.

11. Miscellaneous: If any part of this Addendum is found to be unenforceable, such findings will not invalidate the other parts of this Addendum. This Addendum expresses the entire understanding of the parties with respect to the trade secrets embodied in the Proprietary Software. This Addendum shall be construed in accordance with the laws of the State of Ohio and shall be deemed to have been made in the State of Ohio. This Addendum may not be changed orally, but only by an agreement in writing and signed by the party against whom enforcement of any change is sought. Modifications may only be approved on behalf of Franchisor by its President/CEO.

12. LICENSEE ACKNOWLEDGES THAT LICENSEE HAS READ THIS AGREEMENT, UNDERSTANDS IT, AND AGREES TO BE BOUND BY ITS TERMS AND FURTHER AGREES THAT THIS AGREEMENT IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN THE PARTIES, WHICH SUPERSEDES ALL PROPOSALS ORAL OR WRITTEN AND OTHER COMMUNICATIONS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT, EXCEPT AS EXPRESSLY INCORPORATED BY REFERENCE HEREIN.

SYSTEM4, LLC:	LICENSEE:
By: _____	By: _____
Print Name:	*Print Name:*
Its: _____	Its: _____

(Between Franchisee and Franchisee's Employee or Officer or Director)

Exhibit A.7

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

This Agreement is made as of _____, 20____. The parties to this Agreement are _____ ("Employer"), whose business office is located at _____ and _____, an individual ("Employee"), whose home address is _____.

RECITALS:

A. Employer is a Franchisee of System4 LLC ("Franchisor"), am Ohio Limited Liability Company, pursuant to a Franchise Agreement ("Franchise Agreement"). Employer is in the business of operating a Franchise business that provides Facility Services Management under the name "System4" pursuant to the Franchise Agreement with Franchisor. In connection with Employer's business, Employer will be using various techniques, systems, procedures, standards, manuals, data, specifications, and other materials, all of which are considered the proprietary and confidential information ("Proprietary Information") of Franchisor.

B. Employer will also develop or acquire the right to the use of important information relating to the identity of the Franchisors', customers, the nature and amount of their purchases, pricing practices, the identity of suppliers, sales volumes, costs, expenses and other information. All of the above methods, materials and information are referred to as "Confidential Information."

C. The term "Employee" includes employees, independent contractors, officers and directors of Franchisee who will have access to the Confidential Information.

D. In light of the above facts and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Importance of Proprietary Information and Confidential Information**. Employee acknowledges that: (a) Employee has learned and/or will learn Proprietary Information and Confidential Information during Employee's employment or affiliation with Employer; (b) this Proprietary Information and Confidential Information is an important asset of Employer; and (c) it is important to keep the Proprietary Information and Confidential Information confidential in order for Employer to protect its business and to maintain its competitive advantage.

2. **Agreement to Maintain Confidentiality.** Employee agrees that both during and after the termination of Employee's employment or affiliation with Employer, Employee will: (a) guard and protect the Proprietary Information and Confidential Information so it does not fall into the hands of Employer's competitors or potential competitors; (b) refrain from using the Proprietary Information or Confidential Information for Employee's own benefit or that of any other person or entity; (c) refrain from disclosing the Proprietary Information and Confidential Information to any other person or entity, unless authorized by Employer. Employee agrees that "use" and "disclosure" of the Proprietary Information and Confidential Information include use and disclosure through memorization, and not only through use or disclosure of written material.

3. **Exceptions**. Employer agrees that the Proprietary Information and Confidential Information does not include information which Employee can demonstrate came to Employee's attention before Employee

learned from Employer or which has become, through disclosure by others, "public domain" information (i.e., information freely available to everyone).

4. **Return of Materials**. If Employee's relationship with Employer ends for any reason, Employee agrees to immediately return to Employer any of the Proprietary Information and Confidential Information in Employee's possession or under Employee's control.

5. **Non-Solicitation**.

In consideration of the management services, expertise, and services provided by the Employer, and the receipt by Employee of Proprietary information and Confidential Information, Employee agrees so long as he/she is employed by Employer, and for a period of twenty-four (24) months following the date of termination of Employee's employment, Employee shall not solicit or service any identified System4 Customer for which the Employer acquired knowledge by reason of its affiliation with Franchisor. A "System4 Customer" is any business, person, or facility for whom the Employer furnished services or products, whether or not the System4 Customer signed or issued a written Service Contract or Work Order. This Non-Solicitation clause is based on specific accounts and not any specific geography. Any violation of this provision shall require the Employee to immediately pay Employer the sum of not less than twenty five percent (25%) of all billings for the System4 Customer serviced by Employee in violation of this provision. In addition, the Employee will be required to terminate its relationship with the System4 Customer Any person or entity having any legal or beneficial relationship to or interest in or traceable to, down, or through the Employee is bound by the provisions of these covenants.

The Employee agrees the restrictive covenants set forth above should not be construed to prevent Employee from being gainfully employed either in a non-competing business anywhere, or in a competing business that is outside the restricted time period set forth above in paragraph 5.

6. **Remedies**. Employee agrees that in order to protect Employer's interests if there is a breach or threatened breach of this Agreement, Employer will be entitled to obtain, in addition to any other remedy, a temporary or permanent injunction and consent order for specific performance of this Agreement, without being required to furnish a bond or other security. If an injunction is issued, but is later vacated, Employee agrees to waive any claim for damages as a result of the issuance of the injunction. Employee agrees that if Employee has any claims or causes of action against Employer arising out of Employee's employment or affiliation with Employer, such claims or causes of action will not constitute defenses to Employer's enforcement of this Agreement. Employee further agrees to indemnify and hold Employer harmless from any loss or expense (including attorney's fees) Employer incurs as a result of Employee's breach of this Agreement.

7. **Enforceability**. Employer and Employee both agree that if any provision of this Agreement is deemed too restrictive in scope, it will be deemed modified to be enforceable to the greatest extent permitted by law. Employer and Employer further agree that Franchisor is an intended third-party beneficiary of this Agreement, and that it may enforce the rights of Employer hereunder, including but not limited to the Non-Solicitation provisions in Paragraph 5.

8. **Waiver**. If at any time with respect to any particular incident or breach, Employer or Franchisor does not exercise its rights under this or any similar Agreement, it will not preclude Employer or Franchisor from

doing so in any same or similar situation that subsequently occurs.

EMPLOYER:	**EMPLOYEE (OFFICER/DIRECTOR):**
By: _____	By: _____
Title: _____	Title: _____

EXHIBIT A.8
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned depositor ("Depositor") hereby (1) authorizes System4, LLC or its affiliates ("Company") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("Depository") to debit such account pursuant to Company's instructions.

_____	_____
Depository	Branch
_____	_____
City State	Zip Code
_____	_____
Bank Transit /ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor with thirty (30) days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

DEPOSITOR (Print Name):	**DEPOSITORY (Print Name):**
By: _____	By: _____
Title: _____	Title: _____

SYSTEM4, LLC

EXHIBIT A.9 TO FRANCHISE AGREEMENT

ACKNOWLEDGEMENTS

I personally and/or as an officer or partner or member of the Franchisee, hereby acknowledge having received this Franchise Agreement at least seven (7) days before _____, and the day on which this Franchise Agreement was signed. I hereby acknowledge that at the time I received this Franchise Agreement, it, together with the Franchise Disclosure Document was complete in all material respects, there being no blanks or spaces not completed except for the date and signature of the parties.

I received the Franchise Disclosure Document on_____

THE FRANCHISEE:

By: _____
Print Name:

Its: _____

SYSTEM4, LLC

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Exhibit B to this disclosure document includes the consolidated audited balance sheets for System4, LLC and Subsidiaries as of December 31, 2020 and December 31, 2021, and the audited Consolidated Statements of Operations and Consolidated Statements of Change in Member's Equity and Cash Flow for the years ended December 2019, December 2020, and December 2021. Attached is an unaudited balance sheet and statement of operations for the period ending June 30, 2022.

System4 LLC

Balance Sheet (Unaudited)

30-Jun-22

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

Current Assets		
Total Checking Cash On Hand		1,845,811
Accounts Receivable		
Trade		1,352,710
Inter-Co		285,560
Total Accounts Receivabl		1,638,270
Other Current Assets		
1499 · Undeposited Funds		4,394
Total Other Current Assets		4,394
Total Current Assets		3,488,476
Fixed Assets		
Telephone System		
Accumulated Depr. - Tele		-15,071
Telephone System - Other		16,353
Total Telephone System		1,281
Capitalized Software		
Accumulated Amortizatio		-1,253,495
Capitalized Software - Otl		1,434,342
Total Capitalized Software		180,848
Total Fixed Assets		182,129
TOTAL ASSETS		**3,670,604**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2000 · Accounts Payable		1,219,953
Total Accounts Payable		1,219,953
Other Current Liabilities		
Deposits		60,000
P/R Withholdings		12,274
Long Term Debt		64,420
S/H Loan		-1,173
Total Other Current Liabilities		135,521
Total Current Liabilities		1,355,474
Total Liabilities		1,355,474
Equity		
3051 · Equity-FSC		328,996
3060 · Owner Draws		-1,176
3100 · Retained Earnings		1,156,204
Net Income		831,107
Total Equity		2,315,130
TOTAL LIABILITIES & EQUITY		**3,670,604**

System4 LLC

Income Statement (unaudited)

30-Jun-22

Income		
	Franchise Royalties	1,557,115
	Service Revenues	6,189,689
	Total Income	7,746,803
Cost of Goods Sold		
	Commissions	28,400
	Repair and Maint Costs	1,011,436
	Other Services	4,651,463
		5,691,299
Gross Profit		2,055,504.8
	Expenses	
	Wages	398,177
	Payroll Taxes Corp	147,429
	Marketing Expenses	26,053
	Insurance - Liability	14,575
	Bank Fees	4,876
	Office Expenses	33,911
	Professional Servcies	136,684
	Prof Svc- Software/IT	40,027
	Rent Corp Office	64,696
	Rental - Equipment Corp Office	11,417
	Computer Software Corp	23,936
	Travel General Corp	87,967
	Telephone - Local/LD Corp	19,169
	Utilities	8,716
	Misc Expenses	70,094
Total Expense		1,087,727
Net Ordinary Income		967,778.09
Other Income/Expense		
Other Income		
	8010 · Interest Income	323
	8050 · Other Inc/Exp	37,999
	8060 · Franchise Transfers	872,408
Total Other Income		910,730
Other Expense		
	9000 · Restructuring	-148,000
	Management Fee	1,070,885
	ServiceSync Expense	124,515
Total Other Expense		1,047,401
Net Other Income		-136,671
		831,107

CUNNINGHAM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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Consent

Cunningham & Associates consents to the use in the Franchise Disclosure Document issued by System4, LLC ("Franchisor"), as it may be amended, of our report dated March 21, 2022, with respect to our audit of the consolidated financial statements of System4, LLC and Subsidiaries for the period ending December 31, 2021.

Date: 5/4/2022

CUNNINGHAM & ASSOCIATES

By: Marianne S Nagy

Print Name: Marianne S Nagy

Title: Manager of Audit and Assurance

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

CUNNINGHAM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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March 21, 2022

To the Members of System4, LLC and Subsidiaries

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of System4, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in members' equity and cash flows for each of the three years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of System4, LLC and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of System4, LLC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about System4, LLC and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of System4, LLC and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about System4, LLC and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Cunningham & Associates

Broadview Heights, Ohio

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 968,159	$ 681,402
Accounts receivable, net of allowance for uncollectible accounts of $89,105 and $0 at December 31, 2021 and 2020, respectively (Note 2)	812,202	400,415
Notes receivable, current portion (Note 2)	47,870	64,159
Total Current Assets	1,828,231	1,145,976
Property and Equipment, net (Note 4)	1,282	3,278
Other Assets:		
Notes receivable long-term, net of allowance (Note 2)	95,393	69,185
Due from related party (Note 8)	286,733	285,560
Developed software, net	180,847	233,851
Total Other Assets	562,973	588,596
Total Assets	$ 2,392,486	$ 1,737,850
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt (Notes 6 and 7)	$ 44,515	$ 297,584
Accounts payable (Note 3)	780,400	203,940
Deferred revenue	-	101,031
Accrued payroll taxes	12,274	13,481
Accrued interest	737	1,713
Deposits	60,000	10,000
Total Current Liabilities	897,926	627,749
Other Liabilities:		
Long-term debt, net of current portion (Notes 6 and 7)	19,905	64,420
Total Liabilities	917,831	692,169
Members' Equity:		
System4, LLC Members' Equity	1,474,655	1,045,681
Total Liabilities and Members' Equity	$ 2,392,486	$ 1,737,850

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

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2021	2020	2019
Revenues:			
Royalties	$ 3,132,863	$ 2,439,064	$ 2,327,140
Services	9,069,228	4,814,766	3,350,815
Franchise fees	275,000	673,927	1,407,209
Total Revenue	12,477,091	7,927,757	7,085,164
Cost of Sales:			
Broker fees	33,221	81,044	143,066
Services	8,494,337	4,615,737	3,218,410
Total Cost of Sales	8,527,558	4,696,781	3,361,476
Gross Profit	3,949,533	3,230,976	3,723,688
Operating Expenses (See Schedule I)	3,514,030	2,691,433	2,697,229
Income from Operations	435,503	539,543	1,026,459
Other Income (Expense):			
Gain on extinguishment of debt (Note 7)	147,275	-	-
Interest income	3,732	5,642	9,647
Interest expense	(35,817)	(90,617)	(93,786)
Amortization expense	(121,903)	(240,903)	(174,849)
Other income	2,893	-	-
Other expense	(1,533)	(34,668)	(54,967)
Net Other Expense	(5,353)	(360,546)	(313,955)
Net Income	430,150	178,997	712,504
Net income attributable to noncontrolling interest	-	-	(5,889)
Net Income Attributable to System4, LLC	$ 430,150	$ 178,997	$ 706,615

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

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31,

	Total	Members' Equity	Noncontrolling Interest
Balance, December 31, 2018	$ 816,484	$ 1,043,827	$ (227,343)
Net income	712,504	706,615	5,889
Member distributions	(655,804)	(655,804)	-
Balance, December 31, 2019	873,184	1,094,638	(221,454)
Net income	178,997	178,997	-
Member distributions	(6,500)	(6,500)	-
Dissolution of noncontrolling interest	-	(221,454)	221,454
Balance, December 31, 2020	1,045,681	1,045,681	-
Net income	430,150	430,150	-
Member distributions	(1,176)	(1,176)	-
Balance, December 31, 2021	$ 1,474,655	$ 1,474,655	$ -

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

SYSTEM4, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2021	2020	2019
Cash Flows From Operating Activities:			
Net Income	$ 430,150	$ 178,997	$ 706,615
Adjustments to reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			
Amortization expense	121,903	240,903	174,849
Depreciation expense	1,996	1,967	656
Minority interest in net income (loss) of consolidated subsidiary	-	-	5,889
Bad debt expense	89,105	-	-
Gain on extinguishment of debt	(147,275)	-	-
(Increase) decrease in assets:			
Accounts receivable	(500,892)	(40,572)	(160,395)
Notes receivable	(9,919)	63,137	104,316
Prepaid interest	-	-	60,476
Deposits	-	1,000	(1,000)
Increase (decrease) in liabilities:			
Accounts payable	576,460	44,116	46,009
Deferred revenue	(101,031)	54,881	46,150
Accrued payroll taxes	(1,207)	1,550	2,988
Accrued interest	-	530	(1,017)
Accrued litigation settlement	-	-	(53,924)
Deposits	50,000	10,000	-
Net Cash Provided by Operating Activities	509,290	556,509	931,612
Cash Flows Povided by (Used in) Investing Activities:			
Advance from related party	-	-	(42,000)
Increase in due from related party	(1,173)	(34,162)	(109,265)
Purchases of property and equipment	-	-	(5,901)
Purchases of developed software	(68,899)	(179,381)	(144,630)
Net Cash Used in Investing Activities	(70,072)	(213,543)	(301,796)
Cash Flows Provided by (Used in) Financing Activities:			
Proceeds from issuance of long-term debt	-	-	200,000
Proceeds from Paycheck Protection Program loan	-	146,300	-
Repayment of long-term debt	(151,285)	(120,412)	(281,699)
Member distributions	(1,176)	(6,500)	(655,804)
Net Cash Provided by (Used in) Financing Activities	(152,461)	19,388	(737,503)
Net Increase (Decrease) in Cash and Cash Equivalents	286,757	362,354	(107,687)
Cash and Cash Equivalents at Beginning of Year	681,402	319,048	426,735
Cash and Cash Equivalents at End of Year	$ 968,159	$ 681,402	$ 319,048
Supplemental Disclosure of Cash Flow Information: Cash paid during the year for interest	$ 35,817	$ 90,087	$ 94,803

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

SYSTEM4, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies:

Nature of Business:

System4, LLC and Subsidiaries ("Company") is formed under the laws of the State of Ohio and is a franchisor of facility maintenance services throughout the United States of America. The Company provides the systems and procedures for franchise partners to offer facility maintenance services to the general public. At December 31, 2021, 2020 and 2019, there were 53, 52, and 49 franchise partners in operation, respectively.

Principles of Consolidation:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the 67% owned subsidiary System4 of Boston, LLC in 2019. The subsidiary was dissolved at the end of 2019. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentrations of Credit Risk:

The Company maintains its cash deposits, in high quality commercial banks, that are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, such cash may be in excess of the FDIC insurance limit. The amount in excess of the insured limits at December 31, 2021 was $718,159. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Cash and Cash Equivalents:

For the purposes of the consolidated statements of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment:

Property and equipment are recorded at cost. It is the Company's policy to capitalize property and equipment costing over $5,000 with lesser amounts expensed. Depreciation and amortization for financial reporting purposes is provided using straight-line and accelerated methods over the useful lives ranging from 3 - 7 years.

Note 1 - Summary of Significant Accounting Policies (Continued):

Developed Software:

Developed software is recorded at cost. It is externally developed and used in the Company's operations. Amortization expense is provided using the straight-line method over the estimated life of the software. Amortization expense for the years ended December 31, 2021, 2020 and 2019 was $121,903, $240,903, and $174,849, respectively.

Revenue Recognition:

In January 2021, the Financial Accounting Standards Board issued Accounting Standards Update No. 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606): Practical Expedient. This new practical expedient allows franchisors that are not public business entities to account for pre-opening services provided to a franchisee as a single performance obligation. The Company adopted the new practical expedient during 2021 and applied it retrospectively to January 1, 2019. The adoption of the practical expedient did not have a significant impact on the Company's consolidated financial statements. No changes were required to previously reported revenues as a result of the adoption.

Revenues for the Company consist of franchise fees from the sale of the franchise rights, service revenue from the billing of facility maintenance contracts, national account contracts and software hosting, and royalties from franchise partners based on franchise partner revenue. The initial franchise fee revenue represents the granting of the initial right to use the branded concept and assistance with pre-opening activities. Consistent with the adoption of the new practical expedient, the Company accounts for this initial franchise fee as a single, current performance obligation. The continuing fees are received in the form of software hosting and royalties. The sales-based royalty revenue is recognized monthly as the monthly performance obligation is satisfied.

The Company has a direct contractual relationship with facility maintenance contract customers and national account customers for the services provided to them by third party service providers. The Company holds title to the related receivables. These revenues and the related direct costs are included as part of the Company's service revenue and costs in the periods in which the services are performed. The payments made to the service providers are recorded as cost of sales.

Income Taxes:

The Company is organized as a limited liability company. In accordance with the Internal Revenue Code, the members include the Company's Federal and state taxable income, losses, and credits in its income tax returns. Accordingly, Federal and state income tax accounting provisions do not affect the Company's financial statements. The Company is no longer subject to local income tax examinations by tax authorities for years before 2018. The Company did not recognize any interest or penalties related to income tax liabilities for the years ended December 31, 2021, 2020 and 2019.

Note 1 - Summary of Significant Accounting Policies (Continued):

Marketing Fees:

Marketing fees are included in operating expenses in the accompanying consolidated statements of operations and are expensed as incurred. Marketing fees amounted to $132,624, $116,538, and $205,065 during the years ended December 31, 2021, 2020 and 2019, respectively.

Paycheck Protection Program Liability:

The Company has elected to follow FASB ASC 470, *Debt Model*, as a guide in accounting for the Paycheck Protection Program ("PPP") liability. The debt model follows traditional loan accounting. At the time the PPP proceeds are received, a liability is recorded and interest begins to be accrued. If the Company is legally released as the primary obligor from the lender, the liability is recorded and interest begins to be accrued. If the Company is legally released as the primary obligor from the lender, the liability will be derecognized and a gain on the PPP extinguishment will be recorded. See Note 7 for further discussion of the PPP liability.

Reclassification:

Certain prior year amounts have been reclassified to agree with current year presentation.

Fair Value of Financial Instruments:

The Company's financial instruments are cash, accounts receivable and various current liabilities. The recorded values of these amounts approximate their fair values based on their short term nature.

New Accounting Pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-to-use asset for all leases that have a term greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning after January 1, 2022. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Note 2 - Accounts and Notes Receivable:

Accounts receivable are comprised of the following at December 31,:

	2021	2020
Accounts receivable - royalties	$ 344,615	$ 352,350
Accounts receivable - services	556,692	48,065
	901,307	400,415
Less: Allowance for uncollectible accounts	(89,105)	-
	$ 812,202	$ 400,415

Accounts receivable - royalties are due from franchise partners in the month following when they are earned. The Company extends unsecured credit to facility maintenance service customers under normal trade agreements which generally require payment within 10 - 30 days. Accounts not paid within 30 days after their original due date are considered delinquent. Unless specified by the customer, payments are applied to the oldest unpaid invoice. Accounts receivable - services are presented at the amount billed as services are rendered.

Management estimates an allowance for doubtful accounts receivable which is based upon management's review of all accounts and an assessment of the Company's historical evidence of collections. Specific accounts are charged directly to the reserve when management obtains evidence of a customer's insolvency or other evidence of the inability to pay. Bad debt expense amounted to $89,105, $0 and $0 for the years ending December 31, 2021, 2020 and 2019, respectively.

Notes receivable consist of amounts due from the sale of franchises that have been given extended terms. The notes mature at various periods through October 2024 and bear interest at rates ranging from 6.0% to 9.0%. Interest income on notes receivable is recognized as amounts are received.

Management estimates an allowance for doubtful notes receivable which is based upon management's review of all notes and an assessment of the Company's historical evidence of collections. Specific notes are charged directly to the reserve when management obtains evidence of a noteholder's insolvency or other evidence of the inability to pay. The Company has reserved $18,410 for potentially uncollectible notes at December 31, 2021 and 2020, respectively.

Note 3 - Accounts Payable:

Accounts payable are comprised of the following at December 31,:

	2021	2020
Accounts payable - corporate	$ 90,062	$ 162,783
Accounts payable - services	690,338	41,157
	$ 780,400	$ 203,940

Note 4 - Property and Equipment:

Property and equipment consists of the following at December 31,:

	2021	2020
Computer equipment, furniture and fixtures	$ 52,699	$ 52,699
Leasehold improvements	41,620	41,620
	94,319	94,319
Less: Accumulated depreciation	93,037	91,041
Net property and equipment	$ 1,282	$ 3,278

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was $1,996, $1,967, and $656, respectively.

Note 5 - Rent:

The Company rents office space under a non-cancelable operating lease with a third party. Rent expense was $130,829, $129,143, and $99,655 during the years ended December 31, 2021, 2020 and 2019, respectively. During 2019, the Corporate office lease agreement was renegotiated to extend the lease term and to provide for additional space. The lease will terminate in July 2024.

Future minimum lease payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year at December 31, are as follows:

Year ending December 31,	Amount
2022	$ 108,565
2023	110,107
2024	64,754
	$ 283,426

Note 6 - Long-Term Debt:

	2021	2020
Term loan payable to Celtic Bank Company that requires 60 monthly installments of $4,082 including interest at 10.06%. Due May 2023. Secured by software operating code.	$ 64,420	$ 104,691
Term loan payable to OnDeck Capital, Inc. paid off in November 2021	-	111,013
Paycheck Protection Program loan forgiven in 2021 (See Note 6)	-	146,300
	64,420	362,004
Less current portion	44,515	297,584
	$ 19,905	$ 64,420

Note 6 - Long-Term Debt (continued):

The following is a schedule of future maturities at December 31,:

Year ending December 31,	Amount
2022	$ 44,515
2023	19,905
	$ 64,420

The outstanding term loan at December 31, 2021 is guaranteed by the Company's President.

Note 7 - Paycheck Protection Program:

On April 20, 2020, the Company received loan proceeds in the amount of $146,300 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("Cares Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest can be forgivable after twenty four weeks, as long as the borrower uses the loan proceeds for eligible expenditures, including payroll, benefits, rent and utilities, and maintains certain employment levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces wages during the twenty four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%.

The Company used the proceeds for purposes consistent with the PPP, and consequently, on March 15, 2021, the Company was notified by the Small Business Association that the entire loan, plus accrued interest, was forgiven. The Company was legally released as the primary obligor from the lender, and the amount was recognized as a gain on the extinguishment of debt in the Consolidated Statement of Operations for the year ended December 31, 2021.

Note 8 - Related Party Transactions:

During 2021, 2020 and 2019, respectively, the Company was charged a management fee of $1,477,597, $921,325, and $817,688 by one of its members, Franchise Services Concepts, LLC. These fees were paid in full prior to the respective year end. These fees are included in the Company's operating expenses for each of the respective years.

During 2018, a related party advanced the Company $42,000. During 2019, it was determined that this amount was not going to be repaid. Accordingly, the $42,000 was offset against distributions.

At December 31, 2021 and 2020, respectively, the Company had a non-interest bearing amount due from one of its members, Franchise Services Concepts, LLC, of $286,733 and $285,560.

Note 8 - Related Party Transactions (continued):

The Cleveland, Ohio franchise is owned by a related party. The agreement with the related party contains the same royalty terms as all other franchise partners. The royalty and service income for the related party included in the Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019 were $60,050, $69,855 and $36,068, respectively.

A related party charged the Company $118,716, $127,505, and $153,740 during 2021, 2020 and 2019, respectively, for consulting services related to the development of software. These fees were paid in full prior to the respective year end and are included in professional fees on the Consolidated Schedules of Operating Expenses.

Note 9 - Sale of Initial Franchises:

During 2021, 2020, and 2019, the Company sold 1, 3, and 6 franchises, respectively, throughout the United States. Amounts received from the sale of these franchises were $200,000, $319,500, and $1,422,750 for the years ended December 31, 2021, 2020 and 2019, respectively, and are included in franchise fees on the Consolidated Statements of Operations.

Note 10 - Franchise Transfers Facilitated by Company:

During 2021, 2020 and 2019, the Company facilitated the transfer of 2, 3 and 0 franchises, respectively. Amounts received from these transfers were $75,000, $354,427 and $0 for the years ended December 31, 2021, 2020, and 2019, respectively, and are included in franchise fees on the Consolidated Statements of Operations.

Note 11 - Subsequent Events:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID 19) as a pandemic, which continues to spread throughout the United States of America. This outbreak has greatly disrupted the economy and has negatively affected operations across a broad range of industries. The duration of any business disruption and related financial impact cannot be reasonably estimated at this time. The extent to which the coronavirus pandemic may impact the Company's operating results, financial condition, and cash flows will depend on the future developments, which are highly uncertain and cannot be predicted at this time.

Management has evaluated subsequent events through March 21, 2022, the date which the consolidated financial statements were available to be issued, and no other matters came to their attention that would require adjustment to or disclosure in the consolidated financial statements.

SYSTEM4, LLC AND SUBSIDIARIES

SCHEDULE I

CONSOLIDATED SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	2021	2020	2019
Wages	$ 775,251	$ 684,832	$ 664,553
Professional fees	281,944	290,160	316,878
Professional fees - software maintenance	9,118	23,774	23,431
Management fee	1,477,597	921,325	817,688
Travel	107,350	86,579	186,770
Employee benefits	118,714	121,488	109,589
Marketing fees	132,624	116,538	205,065
Payroll taxes	86,999	73,807	57,933
Rent	130,829	129,143	99,655
Recruiting	10,343	3,198	5,679
Bank and payroll fees	8,325	9,240	6,942
Insurance	7,930	7,072	7,217
License and permits	2,000	3,595	2,050
Meals and entertainment	35,318	22,407	25,319
Postage	12,386	8,546	12,347
Depreciation	1,996	1,967	656
Supplies	152,252	123,890	110,335
Telephone	39,031	38,063	33,952
Utilities	15,499	6,184	6,631
Casual labor	14,619	16,199	2,129
Charitable contributions	552	-	-
Miscellaneous	4,248	3,426	2,410
Bad debt expense	89,105	-	-
Total	$ 3,514,030	$ 2,691,433	$ 2,697,229

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

SYSTEM4, LLC

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT
STATE ADMINISTRATORS

California

Jan Lynn Owen
California Department Financial Protection and Innovation
320 West 4th Street #750
Los Angeles, CA 90013-2344
(213) 576-7500
Toll Free #: 866/275-2677

Illinois

Kwame Raoul
Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-7042

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236

Virginia

Ronald W. Thomas
Director, Division of Securities
and Retail Franchising
State Corporation Commission
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Bill Beatty
Securities Administrator
Dept. of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Wisconsin

Patricia Struck
Administrator, Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, WI 53701-1768
(608) 266-8559

SYSTEM4, LLC

EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

California

Los Angeles:
California Commissioner of Department of Financial Protection and Innovation
320 West Fourth Street
Los Angeles, CA 90013-2344

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Maryland

Maryland Securities Commissioner
Securities Division
200 St. Paul Place
Baltimore, MD 21202

New York

New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

Virginia

Clerk of the State Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

Washington

Director
Washington Department of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater WA 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington
Fourth Floor
Madison, WI 53703

SYSTEM4, LLC

EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS TO THE OPERATIONS MANUAL

Exhibit E to Franchise Disclosure Document
TABLE OF CONTENTS- OPERATIONS MANUAL

SUBJECT	Number of pages DEVOTED TO SUBJECT
Franchise Start-Up Information	9
Personnel and Staffing	5
Lead Generation and Marketing	7
Sales Approach	21
Repair and Maintenance Services	11
Janitorial Operations Management	11
Service Providers	8
Customer Service / Relationship Management	10
General Management	12
Financial Management	9
Total	103

SYSTEM4, LLC

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AS OF DECEMBER 31, 2021

Central Alabama Facility Services LLC
System4 of Central Alabama
106 Oxmoor Rd. Suite 146
Birmingham, AL 35209
(205) 621-6687

Rellim Services INC.
System4 Facility Services of NWA
210 North Walton Blvd.
Suite 30
Bentonville, AR 72712
479-802-0802

Flying Squirrel Enterprises Inc.
System4 of Phoenix
11811 North Tatum Blvd.
Suite 1065
Phoenix, AZ 85028
602-314-6800

Facility Services MGT, LLC
DBA – System4 of Tucson
7739 East Broadway Blvd.
Suite 148
Tuscon, AZ 85710
520-463-3902

Pacific Coast Commercial Cleaning Inc.
System4 of Southern California
1945 Camino Vida Roble, Suite O
Carlsbad, CA 92008
(760) 930-2051

Four J's LLCSystem4 of LA West
200 Continental Blvd. Suite 210
El Segundo, CA 90245
(310) 734-1936

Olliance Mgt. LLC.
System4 of Sacramento
1024 Iron Point Rd
St. 100- #1229
Folsom, CA 95630
(916) 922-3643

JBZ Group LLC
System4 San Francisco East Bay
1660 School St. Ste. 105-CMoraga, CA
64556
(415) 802-2081

Pacific Coast Commercial Cleaning Inc.
System4 of Orange County
333 City Blvd. West
Suite 1746B
Orange, CA 92868
(714) 912-3027

Castillo Capital Investments INC.
System4 of North San Joaquin Valley
672 West 11th Street
Suite 342
Tracy, CA 95376
209-229-7993

Primary Point Services, LLC
System4 of Central Colorado
1942 Broadway
Suite 314
Boulder, CO 80302
(303) 325-5996

Di Bro Holdings Inc.
System4 Connecticut
425 Kings Highway East
Fairfield, CT 06825
(203) 401-8581

Schoon Inc.
System4 Delaware
200 Continental Drive, Suite 401
Newark, DE 19713
(302) 317-2461

W.W Facility Solutions, LLC
System4 of South West Florida
3606 Enterprise Ave.
Suite 376
Naples, FL 32792
(239) 529-4271

(301) 668-7474

Black Cedar Management Inc.
System4 Northeast Florida
450 State Road 13 North
Suite 106
Jacksonville, FL 32259
(904) 647-4164

Borrero Facility Services Management, LLC
System 4 of Central Florida
7208 W. Sand Lake Rd. Suite 305
Orlando, FL
407-491-3425

Post Oak Group LLCSystem4 Georgia
10956 Hwy 92 Woodstock, GA 30188(678)
379-2862

InlandNW Facility Management LLC
System4 of Idaho
82 S. Baltic Place Ste. 116
Meridian, ID 83642
(208) 994-8123

Diamond Industries LLC
System4 of Greater Chicago Metropolitan
8770 W. Bryn Mawr
Suite 1300
Chicago, IL 60631
(847)403-1087

Holland Enterprises Inc.
System4 of Indianapolis
5915 N. College Ave. #210
Indianapolis, IN 46240
(317) 222-1039

Alleman LLC
System4 of Cincinnati
1881 Dixie Highway Ste 100
Ft. Wright, KY 41011
(859) 363-4444

Alleman LLC
System4 of Louisville
1881 Dixie Highway Ste 100
Ft. Wright, KY 41011
(859) 363-4444

Lamken Enterprises, Inc.
System4 of Washington DC
3580 H. Mack Avenue
Frederick, MD 21703

NCCS Inc.
System4 of Boston
99 Derby St. suite 300
Hingham MA, 02043
(781) 356-5400

KMW Facility Services, LLC
System4 of Metro Detroit
4100 Woodward Ave., Suite 350 E
Bloomfield Hills, MI 48304

Werth Holdings, Inc.System4 of St. Louis
124 S. Main St.
St. Charles, MO 63301

Endgame INC.
System4 of Minnesota
3800 American Blvd.
Suite 1500
Minneapolis, MN 55431
952-232-8774

Kitchen LLC
System4 of the Carolinas
6701 Carmel Rd
Suite 103
Charlotte, NC 28226
(704) 542-6764

System4 of New Hampshire Inc
15 Constitution Drive
Suite 1-A
Bedford, NH 03110
(603) 310-5000

CSA Franchises, INC.
System4 of Long Island
333 Jericho Turnpike, Suite 236
Jericho, NY 11753
516-605-0266

Str8 Group LLC
System4 of Las Vegas
9510West Sahara Avenue, Suite 125
Las Vegas, NV 89117
(702) 254-1395

Olliance Mgt. LLC.
System4 of Reno
5470 Kietzke Ln

Suite 300
Reno, NV 89511
(775) 329-4400

Facilicorp USA LLC
System4 of Northern Ohio
1970 N Cleveland Massillon Rd
Bath, Ohio 44210
(440) 746-0440

Alleman LLC
System4 of Columbus
6877 North High Street
Worthington, OH 43085
(859) 363-4444

PacNW Facility Management LLC
System4 of Portland
6950 SW Hampton St. Ste. 305
Tigard, OR 97223

Green Horse, Inc.
System4 of Pittsburgh
950 Greentree Road, Suite 100
Pittsburgh, PA 15220
(412) 921-2300

Erica Enterprises Inc.
System4 of Philadelphia
994 Old Eagle School Rd
Suite 1011
Wayne, PA 19087
(610) 341-0310

Di Bro Holdings Inc.
System4 of S.N.E.
1 James P. Murphy Hwy
West Warwick, RI 02893
401-615-7043

Kitchen, LLC
System4 of Greenville South Carolina
6701 Carmel Rd
Suite 103
Charlotte, NC 28226
704-542-6764

Post Oak Group Partners, LLC
System4 of Charleston
460 King Street Suite 200
Charleston, SC 29403

Post Oak Group Partners, LLC
System4 of Columbia
136-4 Forum Drive, Suite 1046
Columbia, SC

Ingenium Facility Services LLC
System4 of Chattanooga
200 W. Martin Luther King Blvd. Ste. 1000Chattanooga, TN 37402
(423) 308-7225

BTS Worldwide LLCSystem4 of East Tennessee
9111 Cross Park Dr. Ste. 200
Knoxville, TN 37923
(865) 573-7745

Watermen Enterprises LLC
System4 of Dallas
9330 LBJ Freeway
Suite 900
Dallas, TX 75243
(972) 756-9444

DCPM INC.
System4 of San Antonio
6335 Camp Bullis Rd
San Antonio, TX 78257
210-858-7674

Cleaning Ventures Inc.
System4 of Houston
9800 Northwest Freeway
Suite 507
Houston, TX 77092
(713) 715-1151

RMSi, LLC
System4 Utah
2825 E. Cottonwood Pkwy
STE 500
Salt Lake City, UT 84121
(801) 994-6924

PacNW Facility Management LLC
System4 of Washington
2005 SE 192nd Ave Ste. 200
Camas, WA 98607

HURE Facility Services LLC
System4 of Milwaukee
2018 1st Street #431
Milwaukee, WI 53207

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System4, LLC

EXHIBIT G
List of Terminated Franchisees in 2021

Franchisees who have terminated the franchise agreement with the franchisor for any reason during the previous fiscal year.

NONE

Franchisees who transferred their franchised businesses to another franchisee in 2021:

NONE

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF CALIFORNIA

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum") sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of California (the "State").

WHEREAS, the State has certain laws and regulations affecting the sale of franchises; and

WHEREAS, SYSTEM4 LLC desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State require such modifications be made to the FDD and apply to either the parties or the transactions described, without acknowledging the application of such laws:

1. The Cover Page of the FDD is modified by adding the following Risk Factors:

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

OUR WEBSITE www.system4.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

THE FRANCHISE AGREEMENT REQUIRES YOU TO VOLUNTARILY AND KNOWINGLY WAIVE THE RIGHTS, PROTECTIONS, AND BENEFITS YOU WOULD BE ENTITLED TO UNDER CALIFORNIA CIVIL CODE SECTION 1542. THIS STATUTE PROTECTS PEOPLE WHO SIGN A RELEASE FROM INADVERTENTLY RELEASING CLAIMS THAT THEY DID NOT KNOW EXISTED WHEN THEY SIGNED THE RELEASE. YOU WILL LOSE THESE PROTECTIONS WHEN YOU SIGN THE FRANCHISE AGREEMENT.

2. Item 17 to the FDD is modified by adding the following provisions:

If you must sign a general release of claims upon renewal or transfer of the franchise agreement, California Corporate Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professional Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professional Code Section 20000-20043).

California Corporations Code, Section 31125 requires SYSTEM4 LLC to give you a disclosure document, approved by the Department of Financial Protection and Innovation before a solicitation of a proposed material modification of an existing franchise.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the franchise agreement is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy, this provision may not be enforceable under Federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement requires application of the laws of Ohio. This provision may not be enforceable under California law.

If the franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise, this provision may not be enforceable under California law.

If the franchise agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The California franchise investment law requires a copy of all proposed agreements relating to the franchise be delivered together with the offering circular.

If the franchise agreement provides for waiver of jury trial, this provision may not be enforceable under California law.

Neither SYSTEM4 LLC nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1939, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF CALIFORNIA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is effective as of the date of execution of the Franchise Agreement between SYSTEM4 LLC ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

BACKGROUND

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SYSTEM4 LLC franchise in _____, California.

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with California law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of California apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. COVENANTS - Section 13.1 of the Franchise Agreement is modified by inserting the following sentence at the end of the last paragraph in that section:

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may be unenforceable under California law.

2. DEFAULT AND TERMINATION - Section 11.1 of the Franchise Agreement is modified by inserting the following sentence at the end of the paragraph:

The franchise agreement provides for termination upon bankruptcy. This provision may be unenforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).

3. APPLICABLE LAW - Sections 18.10 and 18.11 of the Franchise Agreement are modified by inserting the following sentence at the end of the paragraph:

The franchise agreement requires application of the laws of Ohio. This provision may be unenforceable under California law.

4. LIQUIDATED DAMAGES FOR PREMATURE TERMINATION. - Section 12.8 of the Franchise Agreement is modified by inserting the following sentence at the end of the paragraph:

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. WAIVER OF JURY TRIAL. - Section 18.13 of the Franchise Agreement is modified by

inserting the following sentence at the end of the paragraph:

The franchise agreement provides for waiver of jury trial, this provision may not be enforceable under California law.

6. ENTIRE AGREEMENT. - Section 18.20 of the Franchise Agreement is modified by inserting the following sentence at the end of the paragraph:

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witness:	SYSTEM4 LLC
_____	By: _____
_____	Its: _____
	FRANCHISEE:
	_____
_____	By: _____
_____	Its: _____.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF ILLINOIS

The FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws:

1. The State Cover Page has been modified by deleting the following Risk Factor:

THE PARTIES WAIVE THEIR RIGHT TO A JURY TRIAL WITH RESPECT TO DISPUTES RELATING TO THE FRANCHISE AGREEMENT.

2. ITEM 17 is modified by adding the following paragraph:

The conditions under which the franchise can be terminated and Franchisee's rights upon non-renewal may be affected by Illinois Law (815 ILCS 705/19 and 705/20).

3. ITEM 17 (w) is modified by adding the following paragraph:

Illinois law (815 ILCS 705/4) provides that: "Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which is otherwise enforceable in the State of Illinois, however, a franchise agreement may provide for arbitration in a forum outside of this State."

Sec 41 of the Illinois Franchise Disclosure Act states that: Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. ITEM 17 (v) is modified by adding the following paragraph:

Illinois law governs the franchise agreement for Illinois franchisees.

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF ILLINOIS

This Addendum to Franchise Agreement ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SYSTEM4 LLC ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with Illinois law.

1. Section 18.11 (Jurisdiction and Venue) of the Franchise Agreement is modified by adding the following:

All litigation with Illinois franchisees will be commenced in Illinois and that Illinois law will govern Agreements with Illinois franchisees.

2. Section 18.10 (Governing Law) of the Franchise Agreement is modified by adding the following:

Illinois law governs the franchise agreement for Illinois franchisees.

3. Sections 11.2 (Termination by the Franchisor—After Notice) and 16 (Term) of the Franchise Agreement is modified by adding the following:

The conditions under which the franchise can be terminated and Franchisee's rights upon non-renewal may be affected by Illinois Law (815 ILCS 705/19 and 705/20).

Sec 41 of the Illinois Franchise Disclosure Act states that: Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of Illinois is void.

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witnesses: SYSTEM4 LLC

_____ By: _____

_____ Its: _____

FRANCHISEE:

_____ By: _____

_____ Its: _____

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF INDIANA

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum"), sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Indiana (the "State").

INTRODUCTION:

A. The State has certain laws and regulations affecting the sale of franchises; and

B. FRANCHISOR desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described without acknowledging the application of such laws:

1. ITEM 12 of the FDD is modified by adding the following paragraph:

Indiana Statute 23-2-2.7-1 provides that it is unlawful for any franchise agreement to contain a provision allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or if no exclusive territory is designate, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

2. ITEM 17 of the FDD is modified by adding the following paragraphs:

Indiana Code 23-2-2.7-1 provides that it is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. The foregoing does not apply to arbitration before and independent arbitrator.

Limiting litigation brought for breach of the agreement in any manner whatsoever (except to the extent permitted by the Federal Arbitration Act (9 U.S.C. Section 1 *et seq.*)

Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of such an agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

3. ITEM 17 of the FDD is further modified by adding the following paragraphs:

Indiana has statutes that may limit FRANCHISOR's ability to restrict your activity after the Franchise Agreement has ended.

Notwithstanding anything to the contrary provided, if and to the extent required by applicable law, Indiana Franchise Laws must govern the Franchise Agreement and all related documents.

Subject to the provisions of the Franchise Agreement concerning mediation, the Franchisee, as the case may be, may bring any legal action against FRANCHISOR in Indiana.

Indiana has statutes that may invalidate liquidated damage provisions.

Indiana Statute 23-2-2.7-1(5) may prohibit requiring the Franchisee to prospectively assent to providing a release that purports to relieve any person from liability under Indiana franchise laws.

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF INDIANA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum"), is effective as of the date of execution of the Franchise Agreement by and between SYSTEM4 LLC ("Franchisor") and _____ ("Franchisee", dated _____, ____ (the "Franchise Agreement").

BACKGROUND

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SYSTEM4 LLC franchise in _____, Indiana.

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with Indiana law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Indiana apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. Article 12 of the Franchise Agreement is hereby amended by adding the following provision:

> Indiana has statutes that may limit the Franchisor's ability to restrict the Franchisee's activity after the Franchise Agreement has ended.

2. Section 16.2 is hereby amended by inserting the following paragraph:

> Indiana Statute 23-2-2.7-1(5) may prohibit requiring the Franchisee to prospectively assent to providing a release.

3. Section 18.10 is hereby amended by inserting the following paragraph:

> Notwithstanding anything herein to the contrary provided, if and to the extent required by applicable law, Indiana Franchise Laws must govern the Franchise Agreement and all related documents.

4. Section 18.11 is hereby amended by inserting the following paragraph:

Subject to the provisions of the Franchise Agreement concerning arbitration, if and to the extent required by applicable law, the Franchisee may bring any legal action against Franchisor in Indiana.

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witness:	SYSTEM4 LLC
_____	By: _____
_____	Its: _____
	FRANCHISEE:
_____	By: _____
_____	Its: _____

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF MARYLAND

THIS **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT** ("Addendum") sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Maryland (the "State").

ITEM 17 of the FDD is modified by adding the following paragraphs:

> The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> A provision in the Franchise Agreement that terminates the Franchise upon the bankruptcy of the Franchisee may be unenforceable under the Federal Bankruptcy Law (11 U.S.C. Section 101 *et seq.*).
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.
>
> A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF MARYLAND

THIS **ADDENDUM TO FRANCHISE AGREEMENT** ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SYSTEM4 LLC ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

BACKGROUND

A. Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SYSTEM4 LLC franchise in _____, Maryland.

B. The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith to the extent required by Maryland law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Maryland apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. **TERM AND RENEWAL.** Section 16.2 is modified by adding the following paragraph:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. **TRANSFERABILITY OF INTEREST.** Section 10.2 is modified by adding the following paragraph:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **JURISDICTION AND VENUE.** Section 18.11 is modified by adding the following paragraph:

> A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.'
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. **ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES.** Article 15 is modified by adding the following paragraph to the end:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

This Addendum must be executed simultaneously with the Franchise Agreement.

Witness:	FRANCHISOR: SYSTEM4 LLC
_____	By: _____
_____	Its: _____

FRANCHISEE:

_____	By: _____
_____	Its: _____

NOTICE REQUIRED BY MICHIGAN LAW

If SYSTEM4 LLC, offers you a franchise, it must provide a disclosure document to you 10 business-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings.

Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(2) The fact that the proposed transferee is a competitor of the franchisor.

(3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(I) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

You have the right to request that SYSTEM4 LLC arrange for the escrow of the initial fee and other funds paid to SYSTEM4 LLC until its obligations to provide training are fulfilled.

Any questions regarding this notice should be directed to the Consumer Protection Division, Franchise Section, P.O. Box 30213, Lansing, Michigan 48913; Telephone Number: (517) 373-7117.

Franchisor's agent in this state authorized to receive service of process: Consumer Protection Division, Franchise Section, P. O. Box 30213, Lansing, Michigan 48913.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF MINNESOTA

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ("Addendum"), sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of Minnesota (the "State").

WHEREAS, the State has certain laws and regulations affecting the sale of franchises; and

WHEREAS, SYSTEM4 LLC desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is hereby modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws:

We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minn. Stat. Sec. 80C.12, Subd. 1(g) states that Minnesota considers it unfair to not protect your right to use the trademarks.

With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute 80C.14, Subd. 3, 4, and 5, which require (except in certain specific cases) (1) that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. 80C.21 and Minn. Rule 2860.4400(J) prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the law of the jurisdiction.

Minnesota law may limit our ability to unreasonably restrict your activity after the franchise agreement has ended.

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of a franchisee may be unenforceable under Title 11, United States Code Section 101.

Liquidated damage provisions are void under the law of the State of Minnesota.

Minnesota Rule 2860.4400J. states that it is unfair and inequitable for us to require you to waive your rights to any forum provided for by the laws of Minnesota or to waive your rights to a jury trial. You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. A court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

Witness:	FRANCHISOR: SYSTEM4 LLC
_____	By: _____
_____	Its: _____
	FRANCHISEE:
	_____
_____	By: _____
_____	Its: _____

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF MINNESOTA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum"), is effective as of the date of execution of the Franchise Agreement by and between SYSTEM4 LLC ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

BACKGROUND

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SYSTEM4 LLC franchise in _____, Minnesota.

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with Minnesota law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of Minnesota apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minn. Stat. Sec. 80C.12, Subd. 1(g) states that Minnesota considers it unfair to not protect your right to use the trademarks.

With respect to the franchises governed by Minnesota law, we will comply with Minnesota Statute 80C.14, Subd. 3, 4, and 5, which require (except in certain specific cases) (1) that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. 80C.21 and Minn. Rule 2860.4400(J) prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the law of the jurisdiction.

Minnesota law may limit our ability to unreasonably restrict your activity after the franchise agreement has ended.

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of a franchisee may be unenforceable under Title 11, United States Code Section 101.

Liquidated damage provisions are void under the law of the State of Minnesota.

Minnesota Rule 2860.4400J. states that it is unfair and inequitable for us to require you to waive your rights to any forum provided for by the laws of Minnesota or to waive your rights to a jury trial. You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. A court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witness:	FRANCHISOR: SYSTEM4 LLC
_____	By: _____
_____	Its: _____
	FRANCHISEE: _____
_____	By: _____
_____	Its: _____

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF NEW YORK

This Addendum to the Franchise Disclosure Document ("Addendum") sets forth modifications to the Franchise Disclosure Document ("FDD") for purposes of offering franchises in the State of New York (the "State").

INTRODUCTION

The State has certain laws and regulations affecting the sale of franchises; and

SYSTEM4 LLC desires to comply with all such applicable laws and regulations of the State.

NOW, THEREFORE, the FDD is modified as follows solely to the extent that the laws of the State apply to either the parties or the transactions described, without acknowledging the application of such laws:

1. ITEMS 3 and 4 of to the FDD are hereby deleted in their entirety and the following provisions are substituted in their place:

3. LITIGATION

The Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against them alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations; pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of the franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations..

C. Is subject to any currently effective injunctive or restrictive order or decree relating to franchise, or under any federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of

any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. BANKRUPTCY

The franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of this offering circular:

(a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of any company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held such position in the company or partnership.

2. Item 17. (s) of the FDD is modified by adding the following paragraph:

No changes to the Manual will be made which would impose an unreasonable economic burden on the Franchisee or unreasonably increase its obligations.

3. Item 17. (w) of the FDD is modified by adding the following paragraph:

The choice of law provisions contained in the Franchise Agreement should not be considered waivers of any right conferred upon either the Franchisor or the Franchisee by the General Business Law of the State of New York, Article 33.

4. Item 17 (j) of the FDD is modified by adding the following sentence:

The Franchisee's rights to terminate the Franchise Agreement are limited to those rights, if any, which may be afforded under applicable contract law following a material breach by Franchisor.

AS TO ANY STATE LAW DESCRIBED IN THIS ADDENDUM THAT DECLARES VOID OR UNENFORCEABLE ANY PROVISION CONTAINED IN THE FRANCHISE AGREEMENT, THE FRANCHISOR RESERVES THE RIGHT TO CHALLENGE THE ENFORCEABILITY OF THE STATE LAW BY BRINGING AN APPROPRIATE LEGAL ACTION OR BY RAISING THE CLAIM IN A LEGAL ACTION OR ARBITRATION THAT YOU HAVE INITIATED

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF NEW YORK

This Addendum to Franchise Agreement ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between _____ ("Franchisor") and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

Contemporaneous with the execution of this Addendum, the parties have entered into a Franchise Agreement for the operation of a SYSTEM4 LLC franchise in _____, New York.

The parties desire by this Addendum to amend certain terms of the Franchise Agreement entered into simultaneously herewith so as to comply with New York law.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree that, solely to the extent the laws of New York apply to the parties (without acknowledging such application), the following shall apply to the extent required by applicable law:

1. Sections 18.10 and 18.11 of the Franchise Agreement entitled, "Governing Law" and “Jurisdiction and Venue” are amended by adding the following paragraph: "The foregoing choice of law should not be considered a waiver of any right conferred upon any party to this Agreement by the General Business Law of the State of New York, Article 33."

2. The Franchisee acknowledges that it received from SYSTEM4 LLC a Franchise Disclosure Document for the State of New York with all exhibits referenced in the Franchise Disclosure Document on the following date: _____

This Addendum shall modify the Franchise Agreement only to the extent expressly provided herein, and all other terms, conditions and obligations of the Franchise Agreement shall continue to remain in full force and effect. All initially capitalized terms not otherwise defined in this Addendum shall have the same meaning as defined in the Franchise Agreement.

Witness:

_____

_____

_____

SYSTEM4 LLC

By: _____
Its: _____

FRANCHISEE:

By _____
Its: _____

AMENDMENT TO FRANCHISE AGREEMENT OF SYSTEM4 LLC FOR THE STATE OF NORTH DAKOTA

This Franchise Agreement (the "**Agreement**") between SYSTEM4 LLC ("Franchisor") and _____ ("You") is amended by adding the following provisions, which shall be considered an integral part of the Agreement:

The North Dakota Securities Commissioner requires that certain provisions in the Agreement be amended by the following statements:

a. If the Agreement obligates you to execute a release of claims upon renewal of the franchise term, such obligation is void.

b. Covenants not to compete during the term, and upon termination or expiration, of the franchise term are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete that is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. To the extent the Agreement requires litigation to be conducted in a jurisdiction other than North Dakota, the requirement is void. Any litigation under the agreement shall be conducted in North Dakota or a mutually agreed upon location. The provisions of this paragraph are subject to the United States Arbitration Act (9 U.S.C. § 1 et seq.)

d. To the extent the Agreement requires that it is governed by a state law other than North Dakota, the requirement is void. Subject to any applicable federal law, North Dakota law shall govern the Agreement.

e. To the extent the Agreement requires payment of a termination penalty or liquidation penalty, the requirement is void.

f. To the extent the Agreement requires you to consent to a waiver of exemplary and/or punitive damages, the requirement is void.

g. To the extent the Agreement requires you to consent to a waiver of trial by jury, the requirement is void.

h. To the extent the Agreement requires that you consent to a limitation of claims under the North Dakota Franchise Investment Law, the requirement is void and the statute of limitations under North Dakota Franchise Investment Law will apply.

i. To the extent the Agreement requires that you consent to payment of all costs and expenses incurred under any action concerning a violation of the North Dakota Franchise Investment Law, the requirement is void. Under Section 51-19-12.3 of that law, the prevailing party in any such action is entitled to recover all costs and expenses, including attorney's fee.

AS TO ANY STATE LAW REFERRED TO IN THE FOREGOING AMENDMENTS TO THE FRANCHISE AGREEMENT THAT DECLARES VOID OR UNENFORCEABLE ANY PROVISION CONTAINED IN THE FRANCHISE AGREEMENT, THE FRANCHISOR RESERVES THE RIGHT TO CHALLENGE THE ENFORCEABILITY OF THE STATE LAW BY BRINGING AN APPROPRIATE LEGAL ACTION OR BY RAISING THE CLAIM IN A LEGAL ACTION OR ARBITRATION THAT YOU HAVE INITIATED.

ADDENDUM TO THE
FRANCHISE DISCLOSURE DOCUMENT
OF SYSTEM4 LLC
FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for SYSTEM4 LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Item 17.h. of the Franchise Disclosure Document is amended by inserting the following statement:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Item 17.t. of the Franchise Disclosure Document is amended by inserting the following statement:

> Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

ADDENDUM TO FRANCHISE AGREEMENT
OF SYSTEM4 LLC
FOR THE STATE OF VIRGINIA

THIS ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is effective as of the date of execution of the Franchise Agreement by and between SYSTEM4 LLC and _____ ("Franchisee"), dated _____ (the "Franchise Agreement").

1. Section 11.2.q of the Franchise Agreement is amended by adding the following statement:

> Section 11.2.q of the franchise agreement permits the franchisor to terminate the franchise agreement if the franchisee is in default under any other franchise agreement or other agreement between the franchisee and the franchisor. By statute, under Section 13.1-564 of the Virginia Retail Franchising Act, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise.

Witness:

Franchisor

_____

By: _____
Print Name _____
Its: _____

FRANCHISEE:

_____

By: _____
Print Name: _____
Its: _____

WASHINGTON STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND FRANCHISEE QUESTIONNAIRE AND ANY RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this ___ day of _____, _____.

SYSTEM4 LLC

_____

FRANCHISOR

_____

FRANCHISEE

* This addendum may also be used as a rider to the franchise disclosure document.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If System4 LLC. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York state law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If System4 LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the applicable state agency listed in Exhibit D to this disclosure document.

Our agent in this state authorized to receive service of process is listed in Exhibit D to this disclosure document.

Franchise Seller who assisted in the offer/sale of the franchise: Scott Kubec, System4 LLC at 4700 Rockside Road, Suite 610, Independence, Ohio 44131, telephone number (216) 524-6100.

Issuance date: March 21, 2022

I have received a Franchise Disclosure Document dated March 21, 2022, that included the following Exhibits:

Exhibit A:	Franchise Agreement with/Exhibits A.1-A.9
Exhibit B:	Financial Statements
Exhibit C:	List of State Administrators
Exhibit D:	List of Agents for Service Process
Exhibit E:	Table of Contents of Operations Manual
Exhibit F:	Existing Franchisees
Exhibit G:	List of Franchisees Who Have Recently Left the System
Exhibit H:	State Addenda

Date: _____

_____
(*signature*)

_____ _____
Address Printed Name:

(_____)_____
Telephone Number

Keep this copy for your records

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Exhibit H:	State Addenda

Date: _____

_____
(*signature*)

_____ _____
Address

_____ _____
Printed Name:

(_____)_____ _____
Telephone Number

You should return one copy of the signed receipt either by signing, dating, and mailing it to Scott Kubec at System4, LLC, 4700 Rockside Road, Suite 610, Independence, Ohio 44131. You should keep the second copy for your records.