

**FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE MASTER FRANCHISEES**

SBS Franchising, LLC
(a Delaware limited liability company)
10530 Victory Blvd.
North Hollywood, CA 91606
(888) 981-1555
www.stratusclean.com



SBS Franchising, LLC (“SBS”) grants master franchises providing for the right to sell and license individual commercial cleaning franchises using the Stratus Building Solutions system and trademarks known as a “unit franchise” to independent businesses within a designated territory. This franchise disclosure document covers the master franchise offering (the “Master Franchise”).

The Master Franchisee will operate a business offering unit franchises to operate a janitorial and building maintenance service under the name “**Stratus Building Solutions of _____**,” or “**Stratus of _____**.” The name will depend on the territory in which you are operating the Master Franchise. For example, if the Master Franchise territory is San Bernardino County, the name may be “Stratus Building Solutions of San Bernardino County” or “Stratus of San Bernardino County.” The DBA will be determined after purchase.

The total investment necessary to begin operation of a Stratus Master Franchise is from \$109,550 to \$354,950. This includes \$75,000 to \$219,000 that must be paid to SBS or its affiliate(s).

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Doug Flaig, CEO, at 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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.

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How to Use This Franchise Disclosure Document

Here are some questions that 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 Exhibit E.
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 C 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 SBS Master Franchise 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 SBS Master Franchisee?	Item 20 or Exhibit E 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.

What You Need To Know About Franchising *Generally*

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 A.

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 that 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 and/or litigation only where we currently have our principal place of business (currently California). 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 California than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, “us”, “we”, “our”, “SBS”, “or “Stratus Building Solutions” means SBS Franchising, LLC, the “Franchisor.” “You” means the person or entity who buys the franchise from SBS. If the franchise is purchased by a corporation, limited liability company, partnership or other entity, then “you” may also mean the shareholders, members, partners, or other owners of that entity. The person or entity buying the franchise is referred to as a “Master Franchisee” in the master franchise agreement attached as Exhibit D to this Disclosure Document (the “Master Franchise Agreement”).

The Franchisor has developed a business method for the operation of commercial cleaning and maintenance businesses to be operated in accordance with the Stratus system of specifications and operating procedures and in accordance with its brand standards (“System”). The System is identified by the service marks “Stratus” and “Stratus Building Solutions,” and such other marks and logos as we prescribe from time to time (“Marks”). The Marks and certain other intellectual property associated with the System are owned by Diversified Royalty Corp., a Canadian public company listed on the Toronto Stock Exchange (“Trademark Owner”). Trademark Owner licenses the Marks to Stratus Building Solutions, and Stratus Building Solutions will sublicense the Marks to you.

The Franchisor was originally formed as “SBS Franchising, Inc.,” a Delaware company on January 13, 2015 to purchase the assets of our Predecessor described below. On January 1, 2018, we converted our corporation to a limited liability company, under the name “SBS Franchising, LLC.” Our principal business address is 10530 Victory Blvd., North Hollywood, CA 91606, and our telephone number is (888) 981-1555. We do business under the trade name “Stratus Building Solutions” and associated logos and designs registered on the Principal Register of the United States Patent and Trademark Office. We offer only master franchises, which operate under the System and Marks described in this Item 1 below. We do not offer unit franchises, and we do not own or operate any businesses of the type you will be operating. We have offered master franchises in the line of business disclosed in this Disclosure Document since January 30, 2015. We have not offered franchises in any other line of business.

The principal addresses for our agents for service of process are shown in Exhibit A.

Our Parents, Predecessors and Affiliates

We have no parent company.

Predecessor

Stratus Franchising, LLC, a Missouri limited liability company, is a predecessor of SBS Franchising, LLC. It was formed on October 19, 2006. Stratus Franchising, LLC offered janitorial service franchises beginning in October 2006. Its principal business address was 1976 Innerbelt Business Center Drive, St. Louis, MO 63114. The owners of Stratus Franchising, LLC were not the same as the owners of SBS Franchising, LLC. On January 30, 2015, our original franchisor entity, SBS Franchising, Inc., acquired all assets of Stratus Franchising, LLC through an Asset Purchase Agreement of the same date, including all Intellectual Property and franchise agreements. Stratus Franchising, LLC has ceased operations and does not offer franchises in any line of business. Stratus Franchising, LLC had offered franchises in the line of business disclosed in this Disclosure Document since October 2006 and ceased offering franchises in this line of business on January 30, 2015. To our knowledge, it did not offer franchises in any other line of business and did not operate businesses of the type being franchised.

Affiliates

Our affiliate, Stratus Building Solutions Canada, Inc. (“Stratus Canada”), has its principal place of business at 4225 38th Street, Camrose, Alberta, Canada, T4V 3Z3. Stratus Canada offers master franchise agreements to master franchisees in Canada for commercial cleaning services and building maintenance care. Stratus Canada has not offered franchises in any line of business other than commercial cleaning services and building maintenance care. Stratus Canada has not conducted a business of the type being offered to you.

Our affiliate, SBS Services Group LLC (“SBS Services Group”), has its principal place of business at 10530 Victory Boulevard, North Hollywood, California 91606. In September 2019, SBS Services Group reacquired the franchise rights for the Stratus master franchise region located in Delaware. In November 2019, SBS Services Group reacquired the franchise rights for the master franchise regions located in Phoenix, Arizona; San Diego, California; Denver, Colorado; Hawaii; Iowa; Kansas; and Nebraska. In July 2021, SBS Services Group acquired from us the franchise rights for the Jacksonville, Florida master franchise region. In addition, as of January 2021, SBS Services Group reacquired the franchise rights for the San Antonio, Texas master franchise region. In January 2022, SBS Services Group reacquired the franchise rights for the master franchise regions located in Toledo, Ohio and Southern Colorado. And, in March 2023, SBS Services Group reacquired the franchise rights for the San Jose, California master franchise region. Since December 2019, SBS Services Group has offered individual unit franchise agreements to unit franchisees for commercial cleaning services and building maintenance care. These unit franchises are similar to the unit franchises that will be offered by you to individual unit franchisees. SBS Services Group has not offered franchises in any line of business other than commercial cleaning services and building maintenance care. SBS Services Group has not conducted any other business activity, but several of its officers have previously owned and operated master franchise businesses in the Stratus system.

The Franchise Offered

We offer to individuals, partnerships and entities (i.e., corporations and limited liability companies) under this Disclosure Document a Master Franchise Agreement granting the right to license individual franchises known as “unit franchises” within a designated territory (“Territory”). For each unit franchise, a separate Unit Franchise Agreement must be signed between you and your unit franchisee (“Unit Franchisee”). The offer and sale of unit franchises are made pursuant to another Franchise Disclosure Document. An example form of the Unit Franchise Agreement is attached as Exhibit H for your information only. We do not offer unit franchises and are not making any offer of a unit franchise agreement in this Disclosure Document.

We franchise the right to you to operate a Master Franchise business. We grant you the right in your Territory to license independent Unit Franchisees to use the Stratus Marks and the Stratus System of specifications and operating procedures in the performance of cleaning and/or maintenance-related services and in accordance with our brand standards. These cleaning and/or maintenance services include commercial, industrial, institutional and residential cleaning services on a daily, weekly, or monthly basis and the providing of such specialty services as carpet care, floor care, window washing, wall cleaning, or programs of cleaning, sanitizing, deodorizing, and other related cleaning and/or maintenance services.

As a master franchisee, you will establish a business that will (1) grant franchises to unit franchisees as described above and (2) provide support and assistance to such unit franchisees – e.g., identifying cleaning contracts for unit franchisees and providing billing and collection on behalf of unit franchisees. Unlike unit franchisees, you will not engage in any cleaning services. We will provide certain territorial protection to you in your Territory as further described in Item 12 below.

Stratus Building Solutions operates in a developed market. As such, you and your unit franchisees will compete with local, regional and national providers of commercial, industrial, institutional and residential cleaning services. It is your responsibility to be aware of and be in compliance with all federal, state, and local laws and regulations applicable to your Master Franchise business, including any cleaning industry specific laws and any COVID-related state or local recommendations or restrictions regarding mask-wearing, in-person contact, etc. Because you will be selling franchises to unit franchisees, you will also need to comply with federal and state laws and regulations that apply to the offer and sale of franchises. You will be required to prepare a Franchise Disclosure Document, and you may be required to register the unit franchise offering with the applicable state agency, prior to the offer and sale of these unit franchises. Exhibit A of this Disclosure Document contains contact information for the state governmental agencies that regulate franchises in various states.

ITEM 2 BUSINESS EXPERIENCE

Afshin Cangarlu, Member and Board Director

Afshin Cangarlu is one of our Members and has served on our Board of Directors since December 2023. Between our inception in January 2015 and December 2023, Mr. Cangarlu served as our Chief Executive Officer in North Hollywood, California. In addition, Mr. Cangarlu is has been a Member of SBS Services Group since its inception in August 2019, has served on the Board of Directors of SBS Services Group since December 2023, and served as the Chief Executive Officer of SBS Services Group from August 2019 through December 2023, at all times in North Hollywood, California.

Stuart Erskine, Member and Board Director

Stuart Erskine is one of our Members and has served on our Board of Directors since December 2023. Between December 2019 and December 2023, Mr. Erskine served as our Chief Operating Officer. In addition, Mr. Erskine has also been a Member of SBS Services Group since its inception in August 2019 and has served on the Board of Directors for SBS Services since December 2023. Mr. Erskine was our Chief International Officer from January 2018 to November 2019. He has also served as the President of Magnetsigns Group since March 2001 and the President of Declare Brands Inc., in Camrose, Alberta, Canada since 1997. He is based in Canmore, Alberta, Canada.

Foad Rekabi, Member and Board Director

Foad Rekabi is one of our Members and has served on our Board of Directors since December 2023. Between January 2015 and December 2023, Mr. Rekabi served as our Chief Technology Officer and Corporate Secretary in North Hollywood, California. Mr. Rekabi has also been a Member of SBS Services Group since its inception in August 2019 and has served on the Board of Directors for SBS Services Group since December 2023, at all times in North Hollywood, California.

Doug Flaig, Chief Executive Officer

Doug Flaig is our Chief Executive Officer and has held this position since December 2023. Between January 2022 and December 2023, Mr. Flag served as our President in North Hollywood, California. Prior to joining us, Mr. Flaig served as Vice President of Operations and then Chief Operating Officer of Safe Companies LLC, in Thousand Oaks, California, from February 2020 to December 2021. From September 2014 to November 2020, he was Chief Executive Officer and principal of True Impact Consulting, LLC,

in Los Angeles, California. From April 2017 to December 2019, he was Vice President of Franchise Development for Wetzel's Pretzels, LLC in Pasadena, California.

David Earl, Chief Financial Officer

David Earl is our Chief Financial Officer and has held this position since January 2020 in North Hollywood, California. Mr. Earl was previously Vice President, Global Controller for PSI Services in Glendale, California from October 2010 to October 2019.

Rob Lancit, Vice President of Franchise Development

Rob Lancit is our Vice President of Franchise Development and has held this position since September 2022. Mr. Lancit was previously the Executive Vice President of FranServe, Inc., in Upper Saddle River, New Jersey, from May 2021 to May 2022. Prior to that, he was Vice President of MFV Expositions, in Glen Rock, New Jersey, from September 2015 to May 2021. He has also served as President of The Franchise Zone, in Weehawken, New Jersey, since founding the company in June 2021. He is based in Fort Lauderdale, Florida.

Michael Millett, Vice President of Marketing

Michael Millett is our Vice President of Marketing and has held this position since April 2022 in North Hollywood, California. Mr. Millett was President of Digilu, Inc. in Elk Grove, California from January 1999 to March 2022.

Arash Kolahi, Vice President of Technology

Arash Kolahi is our Vice President of Technology and has held this position since July 2022, in Chino Hills, California. From February 2015 to July 2022, he served as our Senior Software Architect, also in Chino Hills, California.

Sean Morrison, Advisor to Board of Directors

Sean Morrison has served as an advisor to our Board of Directors since November 15, 2022 in Vancouver, Canada. Mr. Morrison has been the Chief Executive Office of Diversified Royalty Corporation in Vancouver, Canada since August 2013. Since 2011, he has served as a Director on the board of goeasy Ltd. in Mississauga, Canada.

Victor Fok, Director of Learning and Development Director

Victor Fok has served as our Director of Learning and Development Director in North Hollywood, California since 2019. Prior to his current position, Mr. Fok served as Director of Learning and Development for Dell Technologies, Rapid7, Technicolor, and The Coffee Bean & Tea Leaf where he developed and taught brand standards and processes to company teams and affiliates.

Jim Morrison, Director, Franchise Services

Jim Morrison has served as our Director, Franchise Services in Omaha, Nebraska during the immediately preceding 5 year period.

Cody Millsap Director, Franchise Services

Cody Millsap has served as our Director, Franchise Services in Kansas City, Missouri during the immediately preceding 5 year period.

ITEM 3 LITIGATION

Commonwealth of Virginia, ex rel., State Corporation Commission v. Pete Frese, Jr. and Stratus Franchising, LLC, Commonwealth of Virginia, State Corporation Commission, Case No. SEC-2011-00008 (2011). The Commission alleged that Stratus Franchising, LLC (the predecessor to SBS Franchising, LLC in the ownership and operation of the Stratus Building Solutions franchise system) and Pete Frese, Jr., principal and officer of Stratus Franchising, LLC violated § 13.1-563 (2) of the Virginia Retail Franchising Act, § 13.1-557 et seq. of the Code of Virginia, by making untrue statements of a material fact or omitting to state a material fact necessary in order to avoid misleading the offeree in connection with the sale or offer to sell a franchise. On June 16, 2011, the defendants agreed to a Settlement Order under which they neither admitted nor denied the allegations but agreed to pay to the Treasurer of the Commonwealth of Virginia, \$15,000 in monetary penalties and \$5,000 in costs and agreed not to violate the Virginia Retail Franchise Act in the future. For the avoidance of doubt, this action did not involve us; it only involved our predecessor. None of the owners of our predecessor have any ownership or other interest in us, nor are they employed or otherwise engaged by us.

In re: Stratus Franchising, LLC, Peter Frese, and Dennis Jarrett, California Department of Business Oversight, Org. ID: 84407 (September 15, 2015). In September of 2019, SBS Franchising first learned that a 2015 injunctive order had been issued against its predecessor, Stratus Franchising, LLC (the predecessor to SBS Franchising in the ownership and operation of the Stratus Building Solutions franchise system) and certain of its executives. The order issued by the California Department of Business Oversight (the “Department”) states that between 2007 and 2011, in various filings with the Department that were signed by President and COO Peter Frese on behalf of Stratus Franchising, LLC, the prior experience of CEO Dennis Jarrett between 2001 and 2004 was incorrectly stated as “President” of Jan-Pro International instead of “Vice President.” Based on these misstatements, the Department ordered Stratus Franchising, LLC, Peter Frese, and Dennis Jarrett to desist and refrain from willfully making untrue statements of material fact in franchise applications filed with the Department. The order was entered approximately eight months after SBS Franchising acquired the assets of Stratus Franchising, LLC. For the avoidance of doubt, this action did not involve us; it only involved our predecessor. None of the owners of our predecessor have any ownership or other interest in us, nor are they employed or otherwise engaged by us.

Other than the matters listed above, there is no litigation 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

If you sign a Master Franchise Agreement, then you must pay us a nonrefundable initial franchise fee. An identical fee is not charged to all Master Franchisees. The initial franchise fee you will pay is based primarily upon the population of the Territory granted to you, as described in the Master Franchise

Agreement. The population of a particular territory is based on data from the most recent U.S. Census report. The formula for calculating the fee is: \$75,000 for territories up to 750,000 in population and \$6,000 for each population of 100,000 people above the initial 750,000 in the territory. Therefore, the initial franchise fee for a territory with a large population will be greater than for a territory with a lower population. This formula may vary somewhat according to the density of the population related to the total area. Currently, the smallest territory we grant is for an area having a population of 500,000 people, and the largest territory we grant is for an area having a population of 3,150,000 people. Accordingly, your initial franchise fee will range from \$75,000 to \$219,000, depending primarily on your Territory's population size. This is the total amount, except for any applicable sales tax, which is payable by you.

If, at a later date, you want to be the Master Franchisee for an additional territory, then you must sign another Master Franchise Agreement. Please note that the Master Franchise Agreement for each additional territory will be in the form currently used by SBS and, therefore, may differ from the terms of the Master Franchise Agreement described in this Disclosure Document.

The initial franchise fee is due and payable in one lump sum at the time the Master Franchise Agreement is entered into by the parties. The initial franchise fee is fully earned and non-refundable.

You pay us or our affiliates no other fees or payments for services or goods before your Master Franchise business commences operations.

ITEM 6 OTHER FEES

Type of Fee*	Amount	Due Date	Remarks (Note 4)
Royalty on Contract Services and Sales	4% / 3.5% / 3% of gross revenues (See Note 1)	Payable monthly by the 10 th day of the next month for all gross revenues	Gross revenues include total receipts collected for services performed by you or your unit franchisees, or from the operation of the master franchise business, without reductions for amounts payable to or retained by unit franchisees.
Royalty on Unit Franchise Fees	20% / 15% / 10% of total down payment of the sale of each unit franchise, including deferred down payments (financing) and upgrades on unit franchisees (See Note 2)	Payable monthly by the 10 th day of the next month for all unit franchise agreements signed	The term "down payment" means the initial money paid by the unit franchisee to you as consideration for the unit franchisee's initial franchise plan.
Advertising and Public Relations Fund	\$150 or 1% per month of gross revenues, whichever is greater	Payable monthly by the 10 th day of the next month for all gross revenues	We do not currently collect this fee, but we reserve the right to do so upon written notice to you.
Transfer Fee	10% of all proceeds given as consideration for the sale, transfer or assignment with a minimum of \$25,000, but not to exceed \$75,000	Upon transfer	Payable when you sell your master franchise. No charge if transferred to a family member or corporation which you control.
Technology Costs	Currently, \$200 to \$700 per month	Payable monthly	You must purchase a computer system capable of running the business solutions software we require, which includes an ERP software application, a CRM system, QuickBooks accounting software, e-mail address and other solutions, as further described in Item 11. For ongoing use of these software solutions, and related updates and support, you will pay monthly fees to us and third-party providers. Currently, these

Type of Fee*	Amount	Due Date	Remarks (Note 4)
			fees total approximately \$200-\$700 per month, but these amounts may increase depending on changes in provider fees and/or our software and technology requirements.
Annual Conference	The conference is free, but master franchisees must pay for their own travel and lodging.	Variable	Attendance is mandatory.
Annual Conference Non-Attendance Fee	\$2,500 multiplied by the number of annual conferences you have failed to attend	Upon invoice	You must attend the annual conference of all SBS master franchisees. Absent extraordinary circumstances, if you fail to attend, SBS may require a non-attendance fee to encourage future attendance. Currently the fee is set at \$2,500 multiplied by the number of annual conferences you have failed to attend.
In-depth Business Consultation after First 12 Months	\$350 per day, plus actual and reasonable expenses	Upon Invoice	If, after your first 12 months in operation, you request in-depth business consultation at your offices or our headquarters, you will incur this fee.
Late Payment Fee	5% of delinquent amounts	Upon Invoice	See Note 3
Late Reporting Fee	\$50 per day	Upon Invoice	This fee will be assessed where any report required to be submitted to us is not received by the tenth of any month in which the report is required to be submitted.
Penalty for Non-Compliance	\$500 per day for each day of non-compliance	As incurred	Payable if you purport to terminate or not renew the Master Franchise Agreement and you refuse to return certain materials as required under the Master Franchise Agreement.
Attorney Fees and Costs	The cost of legal fees and other expenses	As incurred	Payable when we incur legal fees or other expenses as a result of any breach of your obligations under the Master Franchise Agreement.

* All of these fees or payments are payable to us, are nonrefundable, and are generally uniformly imposed.

Notes:

1. The Royalty on contract sales and services is scaled based on the amount of gross revenues generated by your Master Franchise business. For contract services and sales, you will pay us 4% of gross revenues less than \$300,000; 3.5% of gross revenues between \$300,000 and \$500,000; and 3% of gross revenues over \$500,000.

2. The Royalty you must pay us for initial franchise fees for sales of unit franchises (“Unit Franchise Fee”) is determined based on the amount of gross revenues generated by your Master Franchise business. You must remit to us 20% of revenue from Unit Franchise Fees in the prior month if your Master Franchise business generated less than \$300,000 in gross revenues in the prior month, 15% of revenue from Unit Franchise Fees in the prior month if your Master Franchise business generated between \$300,000 and \$500,000 in gross revenues in the prior month, and 10% of revenue from Unit Franchise Fees in the prior month if your Master Franchise business generated over \$500,000 in gross revenues in the prior month.

3. Any fee that is not paid when due is subject to a late charge which is the greater of 5% of the delinquent payment or the maximum late fee allowed by the law in the state of your Territory.

4. We may collect all fees from you through ACH electronic transfer. You are required to sign all documents necessary to establish an ongoing ACH electronic transfer.

SBS may implement, from time to time, new programs and operating procedures that would allow it to provide improved productivity or to render better services and may require that additional capital from you be provided. Examples of such programs are the use of technology to generate more lead sources for you, better ways to communicate with you and improved promotional materials, sales materials and service manuals. The additional capital from you that would be required ranges from \$10 to \$300 per month.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount ¹	Method of Payment ²	When Due	To Whom Payment is to be Made
INITIAL FRANCHISE FEE ³	\$75,000 - \$219,000	Lump Sum	At Signing	Us
REAL ESTATE, FIXTURES, LEASEHOLD IMPROVEMENTS, AND UTILITY DEPOSITS ⁴	\$1,500 - \$15,000 (varies depending on the market)	As Arranged	As Arranged	Property Mgt. Co.
INITIAL SUPPLIES AND INVENTORY ⁵	\$500 - \$1,000	As Incurred	As Incurred	Suppliers
EQUIPMENT ⁶	\$2,800 - \$5,450	Lump Sum/ Installment	Before Opening	Suppliers
LICENSES, PERMITS, SECURITY DEPOSITS, ETC. ⁷	\$750 - \$5,000	Lump Sum	Before Opening	Government Agencies, Utilities
INSURANCE ⁸	\$1,000 - \$3,500	As Incurred	As Incurred	Suppliers
TRAINING ⁹	\$3,000 - \$6,000	As Incurred	As Incurred	Unknown
ADDITIONAL FUNDS ¹⁰ (6 months)	\$25,000 - \$100,000	As Incurred	As Incurred	Retained by You (Paid to Vendors/ Employees)
TOTAL	\$109,550 - \$354,950			

Notes:

1. These expenses are estimates. We urge you to consult with experience financial and legal advisors who can assist you in analyzing your potential expenses and developing a business plan and financial projections for your particular Master Franchise. These estimates are based on costs and expenses as would be incurred to establish a Master Franchise in a non-union market. Your costs and expenses may be higher if you establish a Master Franchise in a union market. These estimates may vary with factors such as the size of the Territory, its location, economic conditions, local conditions, local code or other requirements (e.g., union labor), availability of materials and labor, taxes, interest rates and other items. The estimates do not take into account any financing charges, inflation, compensation for your time or labor, rent or interest payable before the Master Franchise opens for business or related costs which you may have to pay. For the estimated range of costs, SBS has relied on its and its founders' experience in the cleaning industry, as

discussed in Items 1 and 2 of this Disclosure Document. With respect to fees payable to us, such fees are not refundable.

2. Payments are not refundable unless permitted by the payee.

3. As described in Item 5, your initial franchise fee will range from \$75,000 to \$219,000, depending primarily on your Territory's population size. Currently, the smallest territory we grant is for an area having a population of 500,000 people (for an initial fee of \$75,000), and the largest territory we grant is for an area having a population of 3,150,000 people (for an initial fee of \$219,000). The initial franchise fee includes the cost of initial office supplies and promotional/sales materials.

4. You are not allowed to operate your business from your home. There is no requirement that you purchase or lease any real estate from SBS, but you are required to maintain an appropriate business office, which must be approved as to location and décor by SBS, and you must conduct your business from there. This estimate includes the décor of the business office, which we estimate will be approximately \$500 to \$1,500, and the initial deposits and build-out of office space, which may cost you \$500 to \$2,500 depending on the office space leased. The business will ideally be located in a multi-tenant or single-tenant office space with approximately 1,400 to 1,800 square feet of "B-Class" office space, and be centrally located in the region.

5. This estimate includes the initial inventory of chemicals that we recommend you purchase. You are not required to purchase any supplies from SBS.

6. You will be required to purchase a commercial backpack vacuum cleaner, a commercial floor polisher (high speed), a commercial scrubber (slow speed), and a commercial wet/dry vacuum. These items are not included in the initial supply package furnished by SBS. Based on our experience, depending upon whether the equipment is new or used, the cost of the equipment may range from approximately \$1,000 to \$2,500 from any equipment supplier. This equipment is used as back-up equipment for the Unit Franchisees and may be rented by you to your Unit Franchisees. You will also be required to purchase or lease, and maintain, a computer system that is capable of running the business solutions software we require. The approximate cost of purchasing a computer system ranges from \$850 to \$2,000 per user. You must also purchase and use the required customer relationship management (CRM) system, at an approximate cost of \$80 per user per month, after a one-time start-up fee of \$950. You are not required to purchase any equipment, computer systems, or software from SBS; however, we reserve the right to require you to pay some or all of these fees to us, some or all of which we will remit to the applicable.

7. You must obtain all proper business licenses and permits from your state and local agencies before engaging in business. This estimate includes the filing and application fees that may range up to \$500 each, depending on your location and the location of your Unit Franchisees, and the business telephone and office equipment costs that typically will range from \$500 to \$3,000 depending on the quality and quantity. You may also need to hire legal counsel or a financial professional to assist you in the preparation of franchise disclosure documents, franchise agreements, financial statements, etc. in order to comply with federal and state franchise law requirements. Security deposits and other expenses which must be prepaid and working capital will also vary substantially.

8. Before commencing operations, you must purchase comprehensive liability insurance, including property, bodily injury, product and automotive coverage. The cost of such coverage varies, depending on several factors such as: the charges established by the carrier, the terms of payment, and your prior history. Typically, adequate coverage will require an investment of between \$1,000 and \$3,000. You must also secure a commercial cleaning service bond. You will obtain insurance, covering yourself, your employees, and your Unit Franchisees, naming SBS and Trademark Owner as an Additional Insured and including a

Grantor of Franchise endorsement, in the following minimum amounts and provide proof of coverage on demand:

Type	Minimum Limit
Commercial Cleaning Service Bond	\$50,000
Comprehensive General Liability	\$2,000,000
Worker's Compensation	"Statutory Benefits"

The limits described in the table above will include complete operations and products coverage with an extended property damage endorsement for building service contractors. SBS may increase the minimum limits of insurance required or have new types of coverage added at its sole discretion when circumstances so dictate or as the laws of your home jurisdiction may dictate.

9. You must pay any expenses incurred in traveling to the Training. Initial Training will be in Los Angeles, California for one week. Actual costs will depend on the distance traveled, lodging, meals, type of transportation, etc.

10. While no other amounts are payable to SBS, you must have access to funds for working capital in the approximate amount of \$25,000 to \$100,000 for operational expenses during the first six months of operation. These expenses will be for supplies, utilities, local advertising and other miscellaneous costs. Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, operating revenues and other economic factors. Living expenses are not calculated since they vary with each Master Franchisee. The estimate of working capital and total estimates is based on SBS' and its founders' experience in the cleaning industry.

There are no other direct or indirect payments in conjunction with the purchase of the Master Franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

SBS has no required specifications, designated suppliers, or approved suppliers for goods, services or real estate relating to the establishment and operation of your franchise business other than required business solutions software, digital marketing platforms, website access and usage, and certain chemical and cleaning product supplies as described in this Item.

You must use the business solutions software we require, which includes the required ERP software application (Opus), the required CRM system, QuickBooks online accounting software (by Intuit Software), an e-mail address, and a suite of Google products. We are the only approved supplier of the ERP software application, which is used to manage all business transaction activities, and the consulting and IT support for that software. The costs associated with the ERP software are covered by the portion of the Technology Costs fee you pay to us, as described in Item 6.

You must use only the digital solutions and platforms we support, which includes the websites StratusClean.com and StratusBuildingSolutions.com which will only be supported by our approved digital marketing vendors, including vendors for search engine optimization, paid digital advertising, and marketing automation. Additionally, no websites may be used without our prior, written approval.

You are not required to purchase or obtain from us or our affiliates any goods, services, supplies, cleaning chemicals, fixtures, equipment, inventory, insurance coverage, or real estate for your business. We have

developed a distribution network with several approved suppliers of Stratus-branded chemicals and cleaning products. We do not have to issue our specifications and standards for our approved suppliers to franchisees or approved suppliers, nor are our criteria for supplier approval made available to franchisees. We can add and remove approved suppliers at any time in our sole discretion.

During our most recent fiscal year, ending December 31, 2023, we did not receive any revenue from required purchases made by Master Franchisees of goods, services, supplies, materials, or other products, but did receive rebates of approximately \$2,898 from purchases from our supplier of green cleaning chemicals, Nyco, by Master Franchisees and unit franchisees. In the last fiscal year, these rebates were approximately .001% of our total revenues. Other than as described in this paragraph, we did not receive any revenue from required purchases made by Master Franchisees of goods, services, supplies, materials, or other products.

During its most recent fiscal year, ending on December 31, 2023, our master franchisee affiliate, SBS Services Group, had revenues of approximately \$2,094,000 from the sale of equipment, chemicals, supplies, insurance, or uniforms to its unit franchisees, which represents approximately 17.5% of SBS Services Group's total revenues of \$11,967,000. Taking into account SBS Services Group's costs in procuring these goods and services, the marginal revenue from these sales and leases to franchisees represented only 6.9% of SBS Services Group's total revenues.

SBS has negotiated strategic relationships with equipment suppliers to ensure that Master Franchisees receive preferential pricing from these strategic suppliers, but these suppliers are not restricted by SBS to the Master Franchisees. SBS does not currently sell or lease any products to Master Franchisees other than the ERP software application (Opus). If you purchase any goods, services, supplies, materials or other products from a supplier who has established a business relationship with us, or purchase product directly from us, we may derive revenue from the purchases made by you, including rebates or other discounts from certain suppliers for purchases made by you and other franchisees.

None of our officers own any interest in any approved or designated suppliers, and none of our affiliates are currently approved suppliers.

We estimate that your purchase or lease of equipment and supplies from suppliers and manufacturers (or those which meet our specifications) will represent approximately 1% of your costs to establish your Stratus Master Franchise and approximately 5% of your costs for ongoing operation.

We do not have a purchasing or distribution cooperative at this time, but may establish one in the future, in our sole discretion.

We do not provide material benefits to a franchisee based on the franchisee's purchase of particular products or services or use of a particular supplier.

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 Agreement	Disclosure Document Item
a.	Site selection and acquisition/ lease	Section II	Item 11
b.	Pre-opening purchases/leases	Not Applicable	Items 7 and 8
c.	Site development and other pre-opening requirements	Section II	Items 6, 7 and 11
d.	Initial and ongoing training	Section XVI	Item 11
e.	Opening	Section II	Item 11
f.	Fees	Section IV	Items 5 and 6
g.	Compliance with standards and policies/ Brand Standards Manuals	Section VI	Item 11
h.	Trademarks and proprietary information	Section XV	Items 13 and 14
i.	Restrictions on products/services offered	Section VII	Item 16
j.	Warranty and customer service requirements	Section VII(D)	Item 11
k.	Territorial development and sales quotas	Sections II and V	Item 12
l.	Ongoing product/service purchases	Not Applicable	Item 8
m.	Maintenance, appearance, and remodeling requirements	Not Applicable	Item 11
n.	Insurance	Section XIII	Items 6 and 8
o.	Advertising	Sections VI(B), XV and XVI	Items 6 and 11
p.	Indemnification	Sections VII(F), XI, XIII and XV(L)	Item 6
q.	Owner's participation/management/staffing	Sections VI(A) and VII	Items 11 and 15
r.	Records and reports	Sections IV and X	Item 6
s.	Inspections and audits	Sections X(C) and XX(B)	Items 6 and 11
t.	Transfer	Section VIII	Item 17
u.	Renewal	Section III	Item 17
v.	Post-termination obligations	Section XVIII	Item 17
w.	Non-competition covenants	Section XII	Item 17
x.	Dispute resolution	Section XIX	Item 17
y.	Other (Copyrights, Patents)	Not Applicable	Item 14
z.	Guaranty	Section XX	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

Except as listed below, SBS is not required to provide you with any assistance.

1. Assistance Before Opening – After approval of your Master Franchise, and before opening:

a. **Locations.** SBS will advise you in determining a location for and establishing an office for the operation of your Master Franchise business as a portion of SBS' services during the training period. SBS must approve your office location, furnishing and décor in order to protect the image and reputation of SBS. However, SBS does not have any experience or expertise in selecting real estate sites in the geographic area where your Master Franchise will be located and, therefore, SBS has no obligation, duty, or liability to you as a result of the site selected by you. SBS will review the site and will review any lease for the premises for compliance with the terms and conditions of the Master Franchise Agreement. Factors considered by SBS when reviewing a proposed site include accessibility, visibility, population trends, household income and financial statistics, lease terms and other demographic information. SBS will accept, reject or provide comments to you regarding your proposed site within 30 days after SBS' receipt of your site proposal. Your Master Franchise Agreement will not be terminated due to a rejection of your proposed site. You will simply continue to search and propose sites until one is approved by SBS. SBS' approval of your site and premises is not a warranty, representation or guaranty by SBS that a Master Franchise opened at that site will be a financial success. There is no time limit or consequence if a site is not selected. SBS does not generally own the premises of any office location.

You will at all times maintain your office and all fixtures, furnishings, signs and equipment in good order and condition, and in conformity with the Stratus system image as may be prescribed by SBS from time to time. You will make all necessary additions, alterations, repairs and replacements to the office as required by SBS. However, you cannot make any other additions, alterations, repairs or replacements not specifically requested by SBS without first obtaining its written consent. This includes periodic repainting or replacement of signs, furnishings, equipment or décor. Furthermore, you will make certain that your office conforms to all applicable local ordinances and building codes. You will also be required to obtain all necessary permits and licenses (i.e., occupancy, sanitation, building, driveway, utility, etc.). No other business venture will operate out of the premises used by you for your office without first obtaining SBS' written consent. You will require any Unit Franchisee who leases commercial office space outside of their residence to fully comply with the conditions described in this paragraph. (See Section II(G) of the Master Franchise Agreement.)

b. **Brand Standards Manuals.** SBS will make available and provide to you confidential Brand Standards Manuals and training aids, constituting the new materials office package. SBS will also loan you a copy of the Brand Standards Manuals. These items are confidential and will remain the property of Trademark Owner during and after the term of the Master Franchise Agreement. (See Sections VI(D) and XVI of the Master Franchise Agreement.) The current Brand Standards Manuals have a total of 467 pages. The Table of Contents of the Manuals (and number of pages in each section) as of the end of our last fiscal year is provided in Exhibit B to this Disclosure Document.

c. **Use of Marks.** SBS will allow you the right in your Territory, as described in the Master Franchise Agreement, to use the Stratus Marks, insignia, logo, design, and color scheme, and to utilize the processes, methods, materials, equipment and promotional items developed or adopted by SBS. (See Sections II(A) and XV of the Master Franchise Agreement.)

d. **Training.** SBS will provide you with a four-Phase training program. Phase I (Week 1) will last one week. The first week will be conducted at our home office in Los Angeles, California. Phase I (Week 2 and Week 3) and Phases II, III, and IV will be conducted at your offices approximately 30, 90 and 180 days after you open your office. (See Section XVI of the Master Franchise Agreement.)

2. Assistance during the operation of the Master Franchise:

a. **On-Site Assistance.** SBS will provide an additional period of on-site assistance in the office start up, sales, operations, and administrative procedures implementation. (See Section XVI of the Master Franchise Agreement.)

b. **Advising.** SBS will advise you of all appropriate facets of the Stratus System as well as all pertinent new developments in the janitorial service industry, including procedures for improved efficiency. (See Section XVI of the Master Franchise Agreement.)

c. **Other Materials.** SBS will inform you of promotional materials, sales materials and service manuals, and other materials as they are developed that would be relevant to the operation of your Master Franchise, and will provide these materials to you at a reasonable cost. (See Section XVI of the Master Franchise Agreement.)

d. **Advertising.**

Stratus Cleaning Advertising Fund

SBS does not currently have an advertising fund or currently collect monthly advertising and public relations fees, but it reserves the right, in its sole discretion, to reestablish the Stratus Cleaning advertising fund (“Stratus Cleaning Advertising Fund”) and require that Master Franchisee pay to such fund a monthly advertising and public relations fee of \$150 or 1% of its gross revenues, whichever is greater. (See Section XVI(B) of the Master Franchise Agreement.)

If established, the Stratus Cleaning Advertising Fund will be administered by SBS. Any SBS-owned Master Franchise business must contribute to the Stratus Cleaning Advertising Fund on the same basis and at the same time as other master franchisees. SBS would not use the advertising fund to solicit other master franchisees. The Stratus Cleaning Advertising Fund, all contributions thereto, and any earnings thereon, may be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which SBS believes will enhance the image of the System, including, among other things, advertising in cleaning trade magazines in order to acquire new accounts and in entrepreneurial-type magazines to assist in the acquisition of unit franchisees; the costs of preparing and conducting radio, cable television, print, and Internet-based advertising campaigns; and other emerging media or promotional tactics; developing, maintaining, and updating any Website(s) on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; and providing promotional and other marketing materials and services to the businesses operating under the System. SBS is not obligated to make expenditures for you that are equivalent or proportionate to your contributions to the advertising fund. SBS will not ensure that any particular master franchisee benefits directly or proportionately from the advertising fund. SBS also is not obligated to spend any amount of the advertising funds in your particular Territory, nor is SBS obligated to make certain that its advertising impacts or penetrates your Territory. The Stratus Cleaning Advertising Fund will not be a trust, and SBS will not be a fiduciary.

The Stratus Cleaning Advertising Fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local advertising. Neither SBS nor its affiliates receive payment for providing goods or services to the Fund. SBS is not obligated to maintain the fund, and income earned by the advertising fund will be placed in a separate account. The advertising is not audited. However, if established, you may obtain an accounting of the Stratus Cleaning Advertising Fund's expenditures for the prior fiscal year, by submitting a written request to SBS.

SBS anticipates that it would spend most of the advertising funds during the fiscal year in which the advertising fees are paid. SBS did not collect Stratus Cleaning Advertising Fund fees in 2023.

If SBS spends *more* than the amount in the Stratus Cleaning Advertising Fund in any fiscal year (in addition to any money it has to spend because it did not spend all the money in the advertising fund during the year before), then SBS can reimburse itself from the advertising fund during the next fiscal year for all excess expenditures during the previous fiscal year.

If SBS spends *less* than the total in the advertising fund during any fiscal year, SBS can either spend the unused money during the next fiscal year or it can rebate all or a portion of the unused money to master franchisees on a basis proportionate to their contributions.

Although SBS intends that the Stratus Cleaning Advertising Fund will be perpetual, SBS can terminate the fund at any time.

Advertising by Master Franchisee

You are not required to spend any particular amount on advertising in your Territory. However, it is highly recommended that a portion of your working capital be allocated to local advertising in order to enable you to meet the sales volume or market penetration requirements described more fully in Item 12 of this Disclosure Document and Section V of the Master Franchise Agreement.

You may develop advertising materials for your own use, at your own cost. However, before you use your own advertising materials, you must first obtain SBS' written approval of your advertising materials. There are no restrictions concerning the use of advertising on the Internet or a World Wide Web page, other than to first obtain SBS' written approval of the advertising materials to be presented on the Internet or World Wide Web. (See Sections XV(D) and XV(G) of the Master Franchise Agreement).

Advertising Cooperatives/Advertising Councils

There is no advertising council comprised of master franchisees that advises SBS on advertising policies. The Master Franchise Agreement does not give SBS the power to form, change or dissolve an advertising council.

There is no advertising cooperative that you must join or to which you must make contributions. The Master Franchise Agreement does not give SBS the power to form, change, dissolve or merge an advertising cooperative.

SBS is not required to spend any amount on advertising in your Territory or area.

e. **Consultation.** A representative of SBS will be available to answer routine questions by telephone and/or computer during normal business hours. (See Section XVI(A) of the Master Franchise Agreement.) In-depth business consultations at your business office or at SBS' corporate headquarters,

after the initial 12 months, is available at the rate of \$350 per day, plus actual and reasonable expenses. This rate is subject to review every 12 months, depending on rises in cost from year to year. This rate would only apply if deficiencies continued after corrections had been suggested by SBS.

f. **Guidance.** Although not cited within the Master Franchise Agreement, and SBS is not required to perform such services under the Agreement, SBS will use its best efforts to provide the following guidance and assistance on a continuing basis to enhance the growth and performance of the Stratus Master Franchise program:

1. SBS will continue to search for more cost-efficient sources of supplies. With the strength of group purchasing, SBS will endeavor to purchase supplies and inventory at reduced rates and pass along the benefits of quantity purchasing to all master franchisees. However, you are not required to purchase any cleaning equipment or supplies from SBS or other parties, and you may be able to obtain equal or lower prices on comparable products purchased from other sources.
2. SBS may perform periodic quality control visits to your office. During such visits, all phases of operations are inspected and recommendations to correct deficiencies, improve techniques, and enhance the efficiency of your Master Franchise will be offered.

There is no other supervision, assistance or service to be provided by SBS during the operation of your Master Franchise business.

Time to Open

The typical length of time between the signing of the Master Franchise Agreement or the first payment of any consideration for the Master Franchise and the opening of your business is eight weeks and depends on a number of factors including: finding an approved office site, completing your training program; obtaining the required business permits and licenses, acquiring inventory, equipment and supplies; obtaining financing (if applicable); and hiring and training your employees.

Computer Systems

You must purchase or lease, and maintain, a computer system(s) that is capable of running the business solutions software we require, which includes the required ERP software application (Opus), the required CRM system, QuickBooks online accounting software, an e-mail address, and a suite of Google products. The approximate monthly fee to use QuickBooks online is \$100 to \$500 per month. The approximate cost of the required CRM system is \$80 per user per month, after a one-time start-up fee of \$950. For the typical arrangement involving three users, the total first-year cost is approximately \$3,830. The approximate cost of purchasing a computer system ranges from \$850 to \$2,000 per user. We reserve the right to require you to pay some or all of these fees to us, some or all of which we will remit to the applicable vendors.

SBS will have independent access to your computer data and information. In addition, SBS can review, inspect, audit and make copies of all of your Master Franchise's financial records. Therefore, you must give us your passwords and other information necessary to access your computer software and computer-stored files, so that we can perform an inspection or audit. (See Section X(C) of the Master Franchise Agreement.) Furthermore, SBS can assume the responsibility for your computerized or manual billing and accounting services, if certain circumstances as outlined in the Master Franchise Agreement arise. (See Section XVI(A) of the Master Franchise Agreement.)

You must keep your computer system in good maintenance and repair and install all additions, changes, modifications, substitutions, and/or replacements to your computer system and required business solutions software as we may reasonably direct periodically in writing, all at your own expense. You must upgrade or update your computer system and business solutions software at your expense as we may require. There is no limitation on how often we may require these upgrades or the cost of these upgrades. We and our affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates.

Training

Training Program

Training Phase	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Phase I (Week 1)	Business overview	4	0	North Hollywood, CA
	Franchise Sales	12	4	
	Operations Overview	3	1	
	Inside Sales	2	4	
	Customer Contract Sales Overview	2	4	
	Opus, Accounting, HR & Back offices	6	2	
Phase I (Week 2)	On-Site Training: Unit Franchisee training methods, franchise sales review, customer contract sales training, operational and management aspects of the Stratus office. (Approximately 2 weeks after North Hollywood Training)	28	12	Your office
Phase I (Week 3)	Customer Contract Sales (Approximately 4 weeks after North Hollywood Training)	8	24	Your office
Phase II	Franchise Development (Approximately 6 weeks after North Hollywood Training)	20	4	Your office
Phase III	On-Site Training: Customer service training (3 days approximately 90 days after opening)	24	0	Your office
Phase IV	On-Site Training: Administration training (3 days approximately 180 days after opening)	24	0	Your office
Total		133	55	

Phase I Training is offered bi-monthly as needed. Subsequent phases are scheduled approximately 30, 90 and 180 days after you open your office. Instructional materials for all of our training consists of the Brand Standards Manual. Instructors for Phase I Training include the Development Manager, and/or Office Manager, and/or Operations Manager, and/or Training Manager. Instructors for Phase II Training include the Operations Manager, and/or Training Manager, and/or Sales Manager.

All training instructors are required to have a minimum of two years of industry experience before training any Master Franchisees. The current instructors include Jim Morrison, Cody Millsap and Victor Fok, who each have at least 6 years of experience with SBS and at least 10 years of experience in the industry.

SBS does not charge for training sessions. However, you must pay your travel expenses to and from the training site as well as any and all of your living expenses while in Los Angeles for the Phase I training including lodging, food, transportation, entertainment, etc.

You or another person with a principal financial interest in your Master Franchise are required to attend our training program. Regional Directors must also complete the training program. The “Regional Director” is the person or entity designated by you to be personally responsible for the day-to-day management of the franchise and for compliance with the terms of the Master Franchise Agreement, if you will not be working in such a capacity.

You will be allowed to open your Master Franchise only after you or another person with a principal financial interest in your Master Franchise has completed Phase I of the training program to the satisfaction of SBS, in its sole discretion. Your training attendee will typically complete Phase I of the program during the 8-week period following execution of the Master Franchise Agreement, but there is no requirement that the attendee do so within that specific time period, or within a certain number of days before the opening of the Master Franchise business. Phase I of the training program, however, must be satisfactorily completed before your Master Franchise opens for business. If the training attendee does not satisfactorily complete Phase I of the training, the attendee must retake the Phase I training program, or you must appoint another individual to attend Phase I training.

SBS will also provide annual and/or regional master franchise meetings and seminars from time to time. Your attendance at these sessions is mandatory and there is no fee for attendance. You will be responsible for your travel and lodging costs. There is customarily one annual conference attended by all SBS master franchisees. Because SBS spends significant resources on this conference, it is important to us that all master franchisees attend. To encourage your attendance, if you fail to attend any such annual conference, SBS will have the right to impose a fee. The fee amount is currently equal to \$2,500 multiplied by the number of annual conferences you have failed to attend. (See Section XVI(A) of the Master Franchise Agreement.) SBS may waive this fee for extraordinary circumstances.

No additional training programs are required, unless otherwise noted in this Disclosure Document.

ITEM 12 TERRITORY

Protected Territory. You will be licensed and permitted to operate under the Master Franchise Agreement in a specific Territory as designated in the Master Franchise Agreement. The Territory is typically delineated by the boundaries of the designated Standard Combined Statistical Area, and/or specific county, city or country borders sufficient to encompass a specified population. This Territory will be determined by SBS, and you will be informed as to the specific boundaries of the Territory before the signing of the Master Franchise Agreement. You must establish and maintain your principal office within the Territory. The Territory will be initially determined by a population analysis and will thereafter remain static for the term of the Master Franchise Agreement. Currently, there is a minimum territory population of 500,000 to start a master franchise region, and the largest territory we grant is for an area having a population of 3,150,000. A description of the protected Territory will be inserted into the body of the Master Franchise Agreement, or a map or description of the protected Territory will be attached to the Master Franchise Agreement as an exhibit.

During the term of the Master Franchise Agreement, SBS will not establish or operate, or grant other franchisees the right to establish or operate, a SBS Master Franchisee business under the System and the Marks within the Territory, except under the limited circumstances provided for in the Master Franchise Agreement related to the failure of the Master Franchisee to meet the minimum growth obligation or a

termination of the Master Franchise Agreement, and as otherwise provided below. 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. SBS retains the rights, among others, on any terms and conditions SBS deems advisable, and without granting any rights to you: (a) to establish and operate, and license others to establish and operate, an SBS Master Franchise business under the System and the Marks at any location outside your Territory, notwithstanding the proximity to your Territory; (b) to sell or distribute, or license others to sell or distribute, directly or indirectly, any products and services other than products and services sold through the Stratus System, through any distribution channel (including the Internet), at any location whether within or outside your Territory under any proprietary marks (including the Marks); and (c) to establish, acquire, franchise, or operate any business or cleaning or maintenance service business of any kind, including competitive businesses, under any marks other than the Marks at any location within the Territory, and to purchase, or be purchased by, or merge or combine with, competing businesses, wherever located, including the Territory.

You may not relocate your SBS Master Franchise business or modify your Territory without our prior written approval. SBS may require, in its discretion, that you sign SBS' then-current form of master franchise agreement and a general release prior to granting approval of relocation. In general, master franchisees may in the normal course acquire additional territories, with SBS' prior written approval, in which to offer unit franchises. However, the Master Franchise Agreement grants the Master Franchisee no options, rights of first refusal or similar rights that would entitle it to do so.

Absent prior written consent from SBS, you are expressly prohibited from the solicitation or acceptance of customers or prospective Unit Franchisees outside the Territory. You may not make sales within or outside of your Territory using other channels of distribution, including the Internet, catalog sales, telemarketing, or other direct marketing. SBS may insist on reparations to any neighboring master franchisee who is damaged by your solicitation or acceptance of orders from outside your Territory. SBS will not have to compensate you for soliciting or accepting orders from inside your Territory.

Continuation of your territorial protection is dependent upon your achievement of the sales volume or market penetration requirements described in Section V of the Master Franchise Agreement and as summarized immediately below. Failure to maintain those minimum levels could result in the loss or modification of your territorial protection, otherwise your territorial protections will remain unchanged during the term of the Master Franchise Agreement.

Minimum Annual Revenues and Unit Franchises Required. Within one year after the "Opening Date" set forth in the Master Franchise Agreement, you must meet the minimum monthly gross revenues (the "Minimum Monthly Revenues"). This means that, beginning with the second year after the Opening Date (i.e., the 13th calendar month after the Opening Date), you must generate at least \$40,000 in monthly gross revenues on an annual basis. Within two years after the Opening Date, you must meet the minimum monthly gross revenues requirement of \$80,000. This means that, beginning with the third year after the Opening Date (i.e., the 25th calendar month after the Opening Date), you must generate not less than \$80,000 in monthly gross revenues on an annual basis. In addition to generating the Minimum Monthly Revenues, your monthly gross revenues must increase each year beginning with the third year after the Opening Date, all as a condition of the continuation of your Master Franchise. If you do not meet the minimum growth obligations, then SBS, at its sole discretion, has the following options:

(a) SBS may require you and your key employees to attend remedial training at SBS' principal place of business or other location selected by SBS, at your sole expense; and/or

(b) SBS may cancel the territorial protection described in this Item 12 (i.e., the sole right to acquire customers and sell unit franchises in your Territory) and granted in Section II of the Master Franchise

Agreement, and SBS may from that point forward acquire contracts and accounts and sell additional master franchises, and unit franchises, within your licensed Territory (who may then, in turn, directly compete with you).

Beginning on the first day of the third year, and at all times from that point forward, you must (i) have at least 36 operating and active (i.e., not in default) Unit Franchisees within the Territory licensed to you under the Master Franchise Agreement, (ii) continue to maintain an updated and valid Franchise Disclosure Document, and (iii) continue to actively offer and sell new franchises each year, as SBS may determine in its sole discretion. Meeting each obligation in this paragraph is a condition to the continuation of your Master Franchise.


You may not solicit or accept sales for the establishment of unit franchises or locations outside of the Territory. However, you are not prohibited from using normal channels of advertising or marketing unless the marketing amounts to a direct solicitation of customers or prospective unit franchisees outside of the Territory.


Nothing in this Item 12 is intended to be a financial performance representation.

ITEM 13 TRADEMARKS

Trademark Owner licenses the Stratus Marks to SBS, and SBS grants you the right to operate the Master Franchise under the names “Stratus” and “Stratus Building Solutions.” Subject to SBS’ rules and regulations, you may also use trademarks that Trademark Owner or we develop or design in the future. By “trademark,” we mean trade names, trademarks, service marks and logos used to identify your Master Franchise. (See Section XV of the Master Franchise Agreement.)

Trademark Owner owns the following trademarks on the Principal Register of the U.S. Patent & Trademark Office (“USPTO”):

Trademark	Registration Number	Registration Date
STRATUS BUILDING SOLUTIONS	3,230,289	April 17, 2007 (renewed)
STRATUS BUILDING SOLUTIONS	5,811,443	July 23, 2019
STRATUS	5,296,290 5,296,293	September 26, 2017
STRATUS (& Design) 	5,441,491 5,441,492	April 10, 2018

Trademark	Registration Number	Registration Date
STRATUS BUILDING SOLUTIONS (& Design) 	6,128,579	August 18, 2020
STRATUS CLEAN	6,853,352	September 20, 2022

There is no pending, infringement, opposition or cancellation proceeding nor any pending material federal or court litigation involving Trademark Owner's, SBS Services Group's, or SBS' use or ownership rights in the above Marks.

Trademark Owner licenses the Marks and certain other intellectual property (collectively, the "IP") to SBS pursuant to a License and Royalty Agreement, under which SBS is required to make monthly payments to Trademark Owner for the right to use and sublicense the IP. The License and Royalty Agreement does not significantly limit SBS' right to use or license the trademarks in any manner material to you, and there are no other agreements that limit SBS' right to use or license the use of the trademarks.

You are licensed to use the SBS Marks subject to the Master Franchise Agreement and SBS' rules and regulations. You cannot use any of the SBS names or Marks as part of your corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use SBS' registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by SBS. You must modify or discontinue the use of a trademark if SBS modifies or discontinues it. If that happens, SBS may reimburse you for your tangible costs of compliance (for example, costs of new business cards), but it is not obligated to do so. In the event your license to use the "Stratus" Marks is terminated, cancelled, or not renewed by us, you must immediately cease use of the "Stratus" name and Marks, and Unit Franchisees may also be required to immediately cease use of the "Stratus" name and Marks.

You must notify SBS immediately when you learn about an infringement of or challenge to your use of any Mark, and SBS will take the action it thinks appropriate. Trademark Owner or SBS has the right to control any administrative proceeding or litigation involving the Marks and IP. While SBS makes no warranty, expressed or implied, as to the use, validity or enforceability of the Marks, SBS is obligated under the Master Franchise Agreement to take action as may be necessary to protect and defend Master Franchisee against any third party claims of infringement and unfair competition arising out of the Master Franchisee's authorized use of the Marks, and SBS is obligated under the Master Franchise Agreement to indemnify Master Franchisee from any losses or harm resulting from such claims. You must not directly or indirectly contest Trademark Owner's or SBS' right to any trademarks, trade secrets or business techniques that are part of the business.

All required affidavits pertaining to these registrations have been filed or will be filed by the deadlines for active Marks above. SBS knows of no superior prior rights or infringing uses that could materially affect your use of the Marks in a state where the franchised business will be located. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state

trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings in which any person unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by SBS.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights.

Trademark Owner owns the IP, including trade secrets, and proprietary information contained in all manuals, advertising, logos, and related materials that have been developed. Neither Trademark Owner nor SBS has any registered patents or registered copyrights, but Trademark Owner does claim a copyright to all intellectual property, including but not limited to the Brand Standards Manual and all forms, advertising materials, and promotional materials. Your obligations to protect your rights to use the IP are the same as the obligations for the trademarks described in Item 13 above. There are no agreements currently in effect which significantly limit your right to use any IP.

You do not receive the right to use an item covered by a patent or copyright, except that you can use the proprietary information in the Brand Standards Manual. The Brand Standards Manual is described in Item 11 of this Disclosure Document. The copyrights and confidential information are proprietary. Item 11 of this Disclosure Document describes limitations on the use of these manuals by you and your employees. You must also promptly tell SBS when you learn about unauthorized use of these Manuals and any proprietary information. SBS is not obligated to take any action, but will respond to this information as it believes appropriate.

To our knowledge, there are no currently effective determinations of the USPTO, the U.S. Copyright Office, or any court pertaining to or affecting any of the SBS copyrights discussed above. As of the date of this Disclosure Document, SBS is unaware of any infringing uses of or superior previous rights to any of the SBS copyrights that could materially affect your use of them in any state.

Confidential Information.

You may never – during the Initial Term, any Renewal Term, or after the Master Franchise Agreement expires or is terminated – reveal any SBS confidential information to another person or use it for any other person or business. You may not copy any SBS confidential information or give it to a third party except as we authorize. The SBS confidential information will include trade secrets, information, ideas, research, methods, manuals, procedures, systems, improvements, and copyrighted and other materials including educational or training materials, fee and Unit Franchise records, and the Brand Standards Manual, owned or developed by or licensed to SBS and the goodwill associated with them. Each person that is key to the Master Franchise must sign our Non-Competition Agreement, the form of which is an exhibit to the Master Franchise Agreement.

ITEM 15

OBLIGATION OF FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are required to participate in the direct operation of the Master Franchise business. SBS believes that only a person with an equity interest can adequately ensure that the standards of quality and competence established by SBS are being maintained. The terms of the Master Franchise Agreement require that you are directly involved in the day-to-day operations of the business either through your full-time participation or by the management of a full-time Regional Director. If you own more than one Master Franchise, you

must have a Regional Director at each individual location. Your Regional Director must have successfully completed our training program. Please see Item 11 of this Disclosure Document for more information pertaining to the Stratus Master Franchisee training program. Either you or your Regional Director must permanently reside within your Territory at all times.

If SBS, after using standards and procedures applied on a uniform basis throughout the system, finds that a Regional Director is not properly performing his or her duties, we will advise you in writing and you must immediately take corrective steps to remedy the situation. If you do not correct the situation, we may require you to replace the Regional Director within 30 days of our written notice to you. Within 30 days of termination, you must appoint a successor, and that person must attend the next available training session. (See Section VI(B) of the Master Franchise Agreement.)

All partners, owners and shareholders of Master Franchisee will be listed on the signature pages of the Master Franchise Agreement and are obligated to sign the Master Franchise Agreement. As signers of the Master Franchise Agreement as individuals, all partners, owners and shareholders will be obligated to personally guaranty the performance of all obligations of the Master Franchise Agreement and payments to us. They will be required to comply with all confidentiality provisions of the Master Franchise Agreement and maintain confidential information. They will also be required to comply with all non-competition provisions, subject to state law. During the term of the Master Franchise Agreement, they may not perform any services for, engage in or acquire, become an employee of, or have any interest whatsoever in any business that performs any type of cleaning and/or maintenance related services; or is similar to the SBS janitorial, cleaning and maintenance System and business; or that sells, leases or distributes supplies and equipment related to any of the foregoing. For a period of two years after termination or transfer of the Master Franchise Agreement, they will be required to comply with the same non-competition provisions with respect to any such business within 100 miles of the territories of any Master Franchisee or Unit Franchisee. They will also be obligated to sign any documents required by us relating to the operation and ownership of your Master Franchise business.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are limited in the operation of the Master Franchise business to the sale of Unit Franchises within your Territory. You are required to provide continuing oversight of your Unit Franchisees who offer to the public complete cleaning and/or maintenance related services. No other limits or restrictions are placed on the type or quantity of customers to whom Unit Franchisees may provide service, except for restrictions contained within the Master Franchise Agreement. (See Section VII of the Master Franchise Agreement.)

You, as a Master Franchisee, must comply with all laws and regulations governing the sale of franchises, including the proper and timely delivery of a Franchise Disclosure Document, unit franchise agreement and other related documents (“Unit Franchise Compliance Documents”). If a registration is required in the state where your Territory is located, then in addition to applicable federal laws and regulations, you must file all necessary documents and disclosures with the appropriate state agency before selling, advertising or offering for sale any franchise within the Territory. A list of state agencies and the appropriate contact information is included as Exhibit A of this Disclosure Document.

SBS is not responsible for preparing or registering any Unit Franchise Compliance Documents or the accuracy of any such documents as distributed or filed for registration. SBS will offer sample documents for compliance, but makes no representation or warranty of those documents’ compliance with federal, state or local laws and regulations, and you are urged to seek the assistance of independent attorneys and counsel to review and complete such documents.

The form of all Unit Franchise Compliance Documents must be submitted to, and approved by, SBS before your use of them. Similarly, any changes, amendments or revisions to any of the Unit Franchise Documents must be approved by SBS before your use of them. All Unit Franchise Compliance Documents must include a provision stating that SBS is a third-party beneficiary of the Unit Franchise Compliance Documents with rights to assume and enforce them should you fail to do so.

You may not operate any other franchise business without first obtaining the express written consent of either the CEO or COO of SBS.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

	Provision	Section In Master Franchise Agreement	Summary
a.	Length of the franchise term	Section III	Term is 15 years.
b.	Renewal or extension of the term	Section III	If you are in good standing you may renew the master franchise.
c.	Requirements for you to renew or extend	Section III	If you meet all conditions for renewal, notify SBS of your intention to renew at least 6 months before the end of term but not more than 12 months, and sign a renewal master franchise agreement. You may be asked to sign an agreement with materially different terms and conditions than your original master franchise agreement because the then-current Master Franchise Agreement must be signed in order to renew or continue the franchise relationship.
d.	Termination by you	Section XVII	Master Franchise Agreement contains no provisions for termination by you. Certain rights may exist under state contract law.
e.	Termination by SBS without cause	Not Applicable.	Not Applicable.
f.	Termination by SBS with cause	Section XVII	SBS can terminate only for “good cause” which means failure by you to substantially comply with the material and reasonable franchise requirements imposed by SBS.
g.	“Cause” defined – curable defaults	Section XVII	All defaults other than those listed in Section “h.” below. Subject to applicable state law, SBS may only terminate if it (1) gives you a written notice of default explaining the default and reason(s) for termination at least 30 days in advance of termination, and (2) you have not cured the default or corrected the reasons stated for termination in the notice of default within 30 days from receiving said notice.

	Provision	Section In Master Franchise Agreement	Summary
h.	“Cause” defined – non- curable defaults	Section XVII	Non-curable defaults: you voluntarily abandon your Master Franchise business; you or any owner of your Master Franchise business is charged, or convicted of, or pleads no contest to, any crime or offense directly or indirectly related to the business conducted under the Master Franchise Agreement; you fail to cure a default under the Master Franchise Agreement which materially impairs the goodwill associated with the Stratus trade name, trademark, service mark, logotype or other commercial symbol after you have received written notice to cure the default at least 24 hours in advance; you become bankrupt or insolvent; you assign the assets of the Master Franchise business for the benefit of creditors (or such assets are similarly disposed); you make any material misrepresentation relating to the Master Franchise Agreement or the Master Franchise business or in your application to become a Master Franchisee; you fail for 10 days after notice of noncompliance to comply with any law or regulation applicable to the operation of the Master Franchise business; you attempt to assign the Master Franchise business, or any right or obligation under the Master Franchise Agreement, without our prior written consent; you repeatedly fail to comply with one or more requirements of the Master Franchise Agreement or any other agreement with us, whether or not such failure is corrected after notice; the Master Franchise business premises are seized, taken over or foreclosed by a government official, creditor, lienholder or lessor, a final judgment remains unsatisfied for 30 days, or a levy of execution has been made upon the licenses granted by the Master Franchise Agreement or upon any property used in the Master Franchise business and not discharged within 5 days of such levy; we determine that your continued operation of the Master Franchise business will result in an imminent danger to public health or safety; you knowingly conceal revenues, maintain false books or records, falsify information or otherwise defraud or make false representations to us, or submit false reports to us; you or any of your owners fails to comply with the in-term covenant not to compete or violates the confidential information restrictions contained in the Master Franchise Agreement; or you engage in any act or conduct, or fail to engage in any act or conduct, which under the Master Franchise Agreement specifically authorizes us to terminate the Master Franchise Agreement immediately upon notice.
i.	Your obligations on termination / non-renewal	Section XVIII	Obligations on termination include complete de-identification, no divulging of trade secrets, return of all Brand Standards Manuals and software, payment of amounts due, and assigning phone numbers.
j.	Assignment of contract by SBS	Section VIII	No restriction on SBS’ right to assign.
k.	“Transfer” by you defined	Section VIII	Change in majority ownership, transfer of substantially all of the assets of your Master Franchise business or transfer of a majority of the ownership (e.g., stock or other units of ownership) of the entity owning the Master Franchise business.
l.	SBS’ approval of transfer by you	Section VIII	SBS has the right to approve all transfers but will not unreasonably withhold approval.

	Provision	Section In Master Franchise Agreement	Summary
m.	Conditions for approval of transfer	Section VIII	Your transferee meets all criteria of character, experience, financial responsibility, and other standards applicable to new master franchisees. Transfer fee paid, purchase agreement approved, training arranged, and current agreement signed by new master franchisee. SBS reserves the right to conduct a business review.
n.	SBS' right of first refusal to acquire your business	Section IX	SBS has the first right to purchase or to match any offer for your Master Franchise business if you offer it for sale.
o.	SBS' option to purchase your business	Section VIII	Only if you offer your Master Franchise business for sale; your death or disability.
p.	Death or disability of franchisee	Section VIII	The Master Franchise business must be assigned by estate to approved buyer within 6 months. Heirs, other than pre-approved spouse or adult child/children, must qualify.
q.	Non-competition covenants during the term of the franchise	Section XII	You may not perform any services for, engage in or acquire, become an employee of, or have any interest whatsoever in any business that performs any type of cleaning and/or maintenance related services; or is similar to the SBS janitorial, cleaning and maintenance System and business; or that sells, leases or distributes supplies and equipment related to any of the foregoing.
r.	Non-Competition covenants after the franchise is terminated or expired	Section XII	No competing business for 2 years within 100 miles of any of the territories of any SBS Master Franchisee or Unit Franchisee.
s.	Modification of agreement	Section XX	Only with mutual agreement.
t.	Integration/ merger clause	Section XX	Only the terms of the Master Franchise Agreement and other related written agreements are binding (subject to state law). Any verbal provisions not contained in the Master Franchise Agreement may not be enforceable. Nothing in the Master Franchise Agreement is intended to disclaim the representations made by SBS in this Disclosure Document.
u.	Dispute resolution mediation	Section XIX	The parties agree to attempt to settle disputes through good faith negotiations in the first instance. If negotiations fail, disputes arising under the Master Franchise Agreement must be submitted to non-binding mediation as a condition to commencing litigation.
v.	Choice of Forum	Section XIX	Litigation must be conducted in the state in which your franchise is located, unless local state law supersedes this provision.
w.	Choice of Law	Section XIX	The laws of the state in which your franchise is located, unless local state law supersedes this provision.

Please also see the state addenda to the Master Franchise Agreement and to this Disclosure Document, attached as Exhibits F and G, respectively, to this Disclosure Document.

ITEM 18 PUBLIC FIGURES

SBS does not use any public figure to promote our franchise, although you are not restricted from doing so.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for this 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.

We present three sets of figures and charts below in this Item 19 for certain affiliate owned and master franchise regions as December 31 of the reporting year (each, a "Reporting Region").

- Section 1 below includes a table presenting average and median annual Gross Revenues figures for the Reporting Regions that have operated for longer than 24 months.
- Section 2 below includes graphs illustrating average and median annual Gross Revenues figures during the 2023 calendar year for the Reporting Regions that have operated for longer than 24 months, presented based on years of operation.
- Section 3 below includes graphs illustrating average and median annual Gross Revenues figures during the 2023 calendar year for the Reporting Regions, presented based on the financial performance (reflected in "tiers"). The performance of all affiliate owned and master franchise regions is included in this Section, regardless of their length of operation.

A master franchise business requires significant ramp-up time to achieve operational capacity, as master franchisees prepare their own franchise documents, identify and sign up unit franchisees, and begin locating commercial contracts on behalf of their unit franchisees. As a result, the revenues of a master franchise business during its first 24 months of operation can vary tremendously and are less predictive of its long-term revenues over the 15-year term of the Master Franchise Agreement. Accordingly, we have not included in Sections 1 or 2 (or in the associated calculations) the revenue figures for those affiliate owned and/or master franchise regions that have not been in operation for at least 24 months as of December 31 of the applicable calendar year.

To assist you in reviewing the financial performance representations in this Item 19, "Gross Revenues" represents the actual amount of dollars received by the Reporting Region from customer revenue (including revenue from special services provided by unit franchisees), plus the franchise fees paid by unit franchisees during the calendar year. The annual Gross Revenues numbers for Reporting Regions are based on reports pulled from the CRM system (which, for our master franchise regions is based on data they enter). These numbers have not been independently audited or verified.

Note that Stratus master franchisees do not typically operate janitorial services businesses themselves. They are, rather, engaged in the business of franchising and providing administrative support to their unit franchisees, which are operating such cleaning services businesses.

1. Average Annual Gross Revenues for 2021, 2022, and 2023

As of December 31, 2021, 2022 and 2023, there were a total of 55, 57 and 59 affiliate owned and master franchise regions. However, we present below the average and median annual Gross Revenues for the 46, 53 and 56 Reporting Regions that have been operating for at least 24 months as of December 31 of each year:

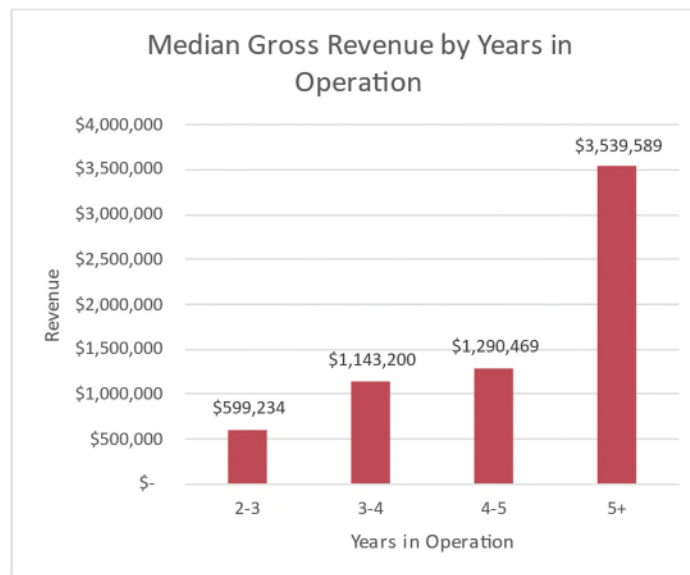
	Number of Regions in Subset	Average Annual Gross Revenues	Number (and %) of Regions at or above the Average	Median Annual Gross Revenues	Number (and %) of Regions at or above the Median	Highest Gross Revenues Region in Subset	Lowest Gross Revenues Region in Subset
2021 Franchised Regions	36	\$2,479,961	15 (42%)	\$1,883,680	18 (50%)	\$11,327,548	\$143,546
2021 Affiliate- Owned Regions	10	\$3,266,338	4 (40%)	\$2,407,851	5 (50%)	\$7,299,515	\$387,426
2021 Total Regions	46	\$2,650,913	19 (41%)	\$1,885,298	23 (50%)	\$11,327,548	\$143,546
2022 Franchised Regions	41	\$2,781,947	17 (41%)	\$2,320,216	21 (51%)	\$13,101,386	\$200,503
2022 Affiliate- Owned Regions	12	\$3,299,768	5 (42%)	\$1,814,710	6 (50%)	\$8,026,642	\$428,542
2022 Total Regions	53	\$2,899,190	21 (40%)	\$2,081,450	27 (51%)	\$13,101,386	\$200,503
2023 Franchised Regions	42	\$3,165,910	21 (50%)	\$3,206,325	21 (50%)	\$13,967,939	\$59,085
2023 Affiliate- Owned Regions	14	\$3,208,835	5 (36%)	\$1,956,408	7 (50%)	\$8,536,802	\$238,077
2023 Total Regions	56	\$3,176,641	21 (38%)	\$2,871,042	23 (41%)	\$13,967,939	\$59,085

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2. 2023 Average and Median Gross Revenues by Years In Operation

As of December 31, 2023, there were a total of 59 affiliate owned and master franchise regions. However, we present below the average and median annual Gross Revenues for the 56 Reporting Regions that have been operating for at least 24 months as of December 31, 2023, presented based on their years of operation.

The data in the graphs is presented in four groups: (a) the 3 Reporting Regions operating for more than 2 years but less than 3 years; (b) the 7 Reporting Regions operating for more than 3 years but less than 4 years; (c) the 5 Reporting Regions operating for more than 4 years but less than 5 years; and (d) the remaining 41 Reporting Regions operating for more than 5 years.



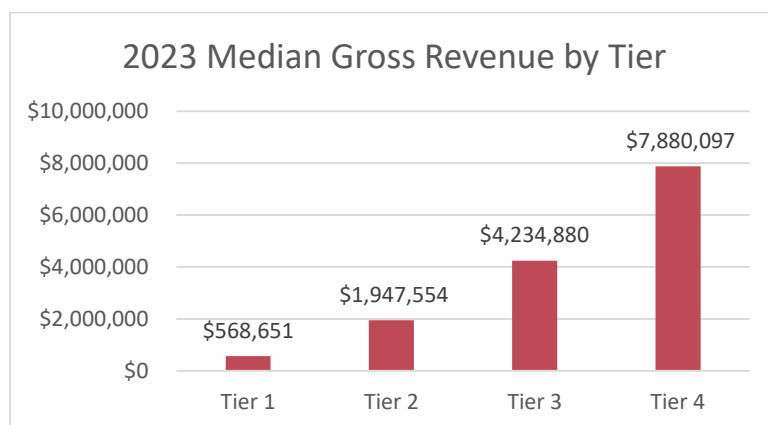
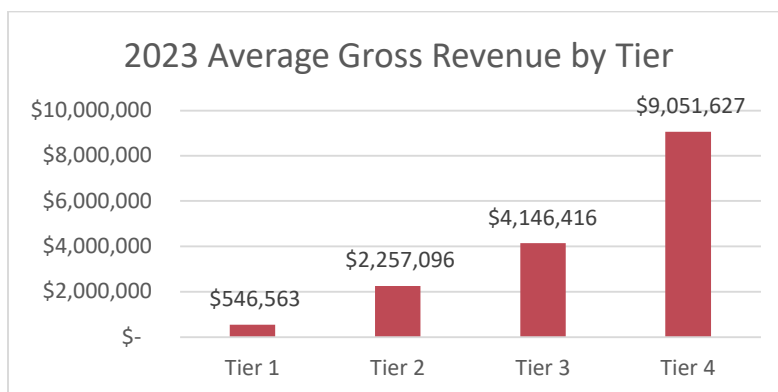
Summary Table

Years in Operation	Number of Regions in Subset	Average Annual Gross Revenues	Number (and %) of Regions at or above the Average	Median Annual Gross Revenues	Number (and %) of Regions at or above the Median	Highest Gross Revenues Region in Subset	Lowest Gross Revenues Region in Subset
2-3	3	\$474,762	2 (66.67%)	\$599,234	2 (66.67 %)	\$744,042	\$59,085
3-4	7	\$1,933,508	4 (57.14 %)	\$1,143,200	4 (57.14%)	\$4,249,754	\$316,391

4-5	5	\$1,567,795	2 (40 %)	\$1,290,469	3 (60%)	\$3,691,499	\$357,737
5+	41	\$3,952,425	18 (43.90 %)	\$3,539,589	19 (43.34 %)	\$13,967,939	\$238,077

3. 2023 Average and Median Gross Revenues by Tier

As of December 31, 2023, there were a total of 59 affiliate owned and master franchise regions. However, we present below the average and median annual Gross Revenues for the 58 Reporting Regions as of December 31, 2023, presented in tiers based on financial performance. One master franchise region was excluded as a Reporting Region because it only began operating on or about December 28, 2023 and did not yet collect any Gross Revenue. Tier 1 or “Start-Up Regions” are those that generated average monthly Gross Revenues between \$0 to \$100,000 of Gross Revenues per month; Tier 2 or “Emerging Regions” are those that generated average monthly Gross Revenues between \$100,000 and \$300,000 per month; Tier 3 or “Established Regions” are those that generated average monthly Gross Revenues between \$300,000 and \$600,000 per month; and, Tier 4 or “Enterprise Regions” are those that generated average monthly Gross Revenues of over \$600,000 per month.



Summary Table

Tier	Number of Regions in Subset	Average Annual Gross Revenues	Number (and %) of Regions at or above the Average	Median Annual Gross Revenues	Number (and %) of Regions at or above the Median	Highest Gross Revenues Region in Subset	Lowest Gross Revenues Region in Subset
Tier 1 \$0-\$100,000 monthly	15	\$546,563	7 (46.66%)	\$568,651	7 (46.66%)	\$918,973	\$0
Tier 2 \$100,000 - \$300,000 monthly	19	\$2,257,096	8 (42.11%)	\$1,947,554	11 (47.89%)	\$4,435,700	\$1,186,788

Tier 3 \$300,000 - \$600,000 monthly	20	\$4,146,416	13 (65%)	\$4,234,880	10 (50%)	\$6,286,197	\$562,514
Tier 4 \$600,000+ monthly	5	\$9,051,624	1 (20%)	\$7,880,097	3 (60%)	\$13,967,939	\$7,425,238

Some master franchises have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

You are urged to consult with appropriate financial, business and legal advisors in connection with the use of any of the information contained in this Item 19.

Written substantiation of this financial performance representation will be made available to the prospective master franchisee upon reasonable request.

Other than as stated above, we do not make any representations about a master 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 financial performance information or projections of your future income other than as described in this Item, you should report it to the franchisor's management by contacting the CEO, Doug Flaig, c/o SBS Franchising, LLC, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	44	44	0
	2022	44	44	0
	2023	44	45	+1
Company-Owned*	2021	8	11	+3
	2022	11	13	+2
	2023	13	14	+1
Total Outlets	2021	52	55	+3
	2022	55	57	+2
	2023	57	59	+2

* Throughout this Item 20, outlets owned by our affiliate, SBS Services Group LLC, are listed as "Company-Owned."

Table No. 2
Transfers of Outlets from
Master Franchisees to New Owners (other than Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
Florida	2021	1
	2022	0
	2023	0
Pennsylvania	2021	0
	2022	0
	2023	1
TOTALS	2021	1
	2022	0
	2023	1

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Table No. 3
Status of Master Franchisee-Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Master Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	1	0	5
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
	2023	0	0	0	0	0	0	0
Florida	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Georgia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Illinois	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Michigan	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Master Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
North Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	1	0	3
	2023	3	0	0	0	0	0	3
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Oregon	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Pennsylvania	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Carolina	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Tennessee	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	4	0	0	0	1	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Master Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Wisconsin	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTALS	2021	43	2	0	0	1	0	44
	2022	44	2	0	0	2	0	44
	2023	44	2	0	0	1	0	45

Table No. 4
Status of Company-Owned Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Master Franchisee	Outlets Closed	Outlets Sold To Master Franchisee	Outlets at End of the Year
Arizona	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
California	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	1	0	0	2
Colorado	2021	1	1	0	0	0	2
	2022	2	0	1	0	0	3
	2023	3	0	0	0	0	3
Delaware	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Florida	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Hawaii	2021	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Master Franchisee	Outlets Closed	Outlets Sold To Master Franchisee	Outlets at End of the Year
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Iowa	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Kansas	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Nebraska	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Ohio	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
	2023	1	0	0	0	0	1
Texas	2021	0	0	1	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
TOTALS	2021	8	2	1	0	0	11
	2022	11	0	2	0	0	13
	2023	13	0	1	0	0	14

Table No. 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed, But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Florida	1	2	0
Georgia	0	1	0
New York	0	2	0
Nevada	0	1	0
North Carolina	0	1	0
Totals	1	8	0

In some instances, current and former master franchisees sign provisions restricting their ability to speak openly about their experience with the Stratus master franchise system. You may wish to speak with current

and former franchisees, but be aware that not all such master franchisees will be able to communicate with you.

A list of current and former master franchisees can be found in Exhibit E to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have created a Stratus franchise advisory council located at 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555. No other trademark-specific franchisee association exists.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year end is December 31. Included in this Disclosure Document as Exhibit C are our audited financial statements for the years ending December 31 of 2021, 2022 and 2023.

ITEM 22 CONTRACTS

This Disclosure Document contains the Master Franchise Agreement and its exhibits, including a non-competition agreement. Also, we have enclosed a sample copy of the Unit Franchise Agreement (Exhibit H); General Release (Exhibit I); and Renewal Addendum (Exhibit J).

ITEM 23 RECEIPT

Two Receipt pages are attached as the last pages of this Disclosure Document. You should sign one to keep for your records and sign the other Receipt and return it to SBS Franchising, LLC, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555.

EXHIBIT A

LIST OF STATE ADMINISTRATORS

<p>California Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500</p> <p>Agent for Service of Process: Commissioner of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, California 95834 (866) 275-2677</p>	<p>Maryland Maryland Securities Division Franchise Examiner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-7042</p> <p>Agent for Consent of Service of Process: Commissioner of the Division of Securities 200 Saint Paul Place Baltimore, Maryland 21202-2020</p>	<p>New York NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, New York 10005 (212) 416-8222</p> <p>Agent for Service of Process: Secretary of State 99 Washington Avenue Albany, New York 12231</p>	<p>South Dakota Division of Insurance Securities Regulation 124 S. Euclid Ave., Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p>Agent for Service of Process: Director of the Division of Securities Division of Insurance Securities Regulation 124 S. Euclid Ave., Suite 104 Pierre, South Dakota 57501</p>
<p>Hawaii Department of Commerce & Consumer Affairs Commissioner of Securities of the State of Hawaii Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p>Agent for Service of Process: Commissioner of Securities State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>	<p>Michigan Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117</p> <p>Agent for Service of Process: Michigan Department of Commerce, Corporations</p>	<p>North Dakota North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 14th Floor Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>Agent for Service of Process: Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 14th Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p>Virginia State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>Agent for Service of Process: Clerk, State Corporation Commission P.O. Box 1197 Richmond, Virginia 23219</p>
<p>Illinois Office of Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4436</p> <p>Agent for Service of Process: Illinois Attorney General 500 South Second Street Springfield, Illinois 62706</p>	<p>Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 Seventh Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328</p> <p>Agent for Service of Process: Commissioner of Commerce 85 Seventh Place East St. Paul, Minnesota 55101</p>	<p>Oregon Department of Insurance & Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p>Washington Administrator Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760</p> <p>Agent for Service of Process: Administrator of Securities Department of Financial Institutions 150 Israel Road SW Tumwater, Washington 98501</p>
<p>Indiana Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent for Service of Process: Secretary of State 201 State House Indianapolis, Indiana 46204</p>	<p>Missouri</p> <p>Agent for Service of Process: 1976 Innerbelt Business Center Drive St. Louis, Missouri 63114 (314) 731-2000</p>	<p>Rhode Island Division of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, Rhode Island 02920-4407 (401) 462-9527</p> <p>Agent for Service of Process: Director of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, Rhode Island 02920-4407</p>	<p>Wisconsin Franchise Administrator Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53701 (608) 266-2801</p> <p>Agent for Service of Process: Commissioner of Securities Office of the Commissioner of Securities 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703</p>

EXHIBIT B
TABLE OF CONTENTS OF BRAND STANDARDS MANUAL

Chapter	Topic	Number of Pages
Chapter 1-3	Intro to the manual	21
Chapter 4	Onboarding	41
Chapter 5	Human resources	103
Chapter 6	Your master franchise business	20
Chapter 7	Unit franchise sales	53
Chapter 8	Customer contract sales	59
Chapter 9	Leadership	31
Chapter 10	Supporting franchisees	11
Chapter 11	Managing contracts	35
Chapter 12	Finance & accounting	43
Chapter 13	Brand marketing	37
Chapter 14	Operating procedures	10
Chapter 15	Additional resources	3

Total number of pages: 467

EXHIBIT C
FINANCIAL STATEMENTS



Consolidated Financial Statements

SBS Franchising LLC

(Expressed in US dollars)

December 31, 2023 and 2022

Contents

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Report of Independent Certified Public Accountants	1 - 2
Consolidated Balance Sheets	3
Consolidated Statements of Income and Comprehensive Income	4
Consolidated Statements of Changes in Member's Equity	5
Consolidated Statements of Cash Flows	6
Notes to the Financial Statements	7 - 14

Report of Independent Certified Public Accountants

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4
T +1 604 687 2711
F +1 604 685 6569

Board of Directors

SBS Franchising LLC

Opinion

We have audited the consolidated financial statements of SBS Franchising LLC (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter – Restated comparative information

As discussed in note 12, the 2022 consolidated financial statements, have been restated to correct a misstatement. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 the Company 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 opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation 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 the

Company's ability to continue as a going concern for one year after the date the financial statements are 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, 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, 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 the Company's 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 events or conditions, considered in the aggregate that raise substantial doubt about the Company's 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 control related matters that we identified during the audit.



Vancouver, Canada
March 5, 2024

Chartered Professional Accountants

SBS Franchising LLC

Consolidated Balance Sheets

(Expressed in US dollars)

December 31

2023

2022

Assets

Current

Cash	\$ 621,654	\$ 731,310
Restricted cash (note 3)	1,200,000	1,200,000
Accounts receivable, net of allowance for doubtful accounts of \$Nil (2022 - \$35,900)	994,500	616,869
Due from related parties (note 9)	3,979,771	2,838,923
Prepaid expenses	101,406	65,287
Master franchise fee receivable	24,500	125,472

Total current assets	<u>6,921,831</u>	<u>5,577,861</u>
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Intangible assets (note 4)	716,152	859,399
Franchise assets (note 5)	723,423	640,986
Master franchise fee receivable	-	15,604

Total assets	<u>\$ 8,361,406</u>	<u>\$ 7,093,850</u>
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Liabilities

Current

Line of credit with financial institutions (note 6)	\$ 89,771	\$ 45,954
Accounts payable and accrued liabilities	1,556,946	848,876
Franchise contract liabilities (note 5)	359,861	150,738

Total current liabilities	<u>2,006,578</u>	<u>1,045,568</u>
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Franchise contract liabilities (note 5)	3,781,385	3,976,984
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Total liabilities	<u>5,787,963</u>	<u>5,022,552</u>
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Members' equity

Members' interest	2,536,142	2,024,028
Cumulative translation adjustment	37,301	47,270

Total members' equity	<u>2,573,443</u>	<u>2,071,298</u>
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Total liabilities and members' equity	<u>\$ 8,361,406</u>	<u>\$ 7,093,850</u>
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On behalf of the board

Director

SBS Franchising LLC

Consolidated Statements of Income and Comprehensive Income

(Expressed in US dollars)
Years ended December 31

2023
as restated

Revenue		
Royalty fees	\$ 9,012,509	\$ 6,779,096
Franchise license fees	559,184	349,125
Other revenues	137,025	84,630
Total revenues	9,708,718	7,212,851
Expenses (income)		
License fees (note 10)	4,646,936	768,905
Employee compensation and benefits (note 7)	2,071,723	1,849,040
Marketing and advertising	1,054,741	781,481
Legal and professional fees	618,149	1,349,238
General and administration	412,701	450,989
Occupancy (note 9)	155,721	145,719
Depreciation & amortization	143,247	143,247
Software license fee (note 9)	104,367	86,749
Franchise contract expense	10,846	4,888
Gain on sale of IP (note 10)	-	(49,371,163)
Franchisee expenses	-	150,000
Recovery of doubtful accounts receivable	(8,400)	(51,700)
Total expenses (income)	9,210,031	(43,692,607)
Operating income	498,687	50,905,458
Other income (expenses)		
Interest earned	72,371	7,791
Exchange gain or loss	-	(894)
Interest expense	(7,545)	(179,902)
Loss on extinguishment of debt	(16,000)	-
Income tax expense (note 8)	(4,990,399)	(118,670)
Net (deficit) income	(4,442,886)	50,613,783
Other comprehensive income		
Foreign currency translation	(9,969)	39,645
Comprehensive (deficit) income	\$ (4,452,855)	\$ 50,653,428

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

SBS Franchising LLC

Consolidated Statements of Changes in Members' Equity

(Expressed in US dollars)

Years ended December 31, 2023 and 2022

	Members' Interest	Cumulative Translation	Total Members' Equity
January 1, 2022	\$ (1,927,856)	7,625	\$ (1,920,231)
Net income	50,613,783	-	50,613,783
Member distributions	(46,661,899)	-	(46,661,899)
Cumulative translation	-	39,645	39,645
December 31, 2022	2,024,028	47,270	2,071,298
Net income	(4,442,886)	-	(4,442,886)
Member contributions	4,955,000	-	4,955,000
Cumulative translation	-	(9,969)	(9,969)
December 31, 2023	\$ 2,536,142	\$ 37,301	\$ 2,573,443

SBS Franchising LLC

Consolidated Statements of Cash Flows

(Expressed in US dollars)
Years ended December 31

2023

2022

Cash flows from operating activities

Net (deficit) income	\$ (4,442,886)	\$ 50,613,783
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	143,247	143,247
Gain on sale of IP (note 10)	-	(49,371,163)
Loss on extinguishment of debt	16,000	-
Change in operating assets and liabilities:		
Increase in accounts receivable	(217,581)	(192,508)
Increase in prepaids and other assets	(36,119)	(65,287)
Increase in franchise contract assets	(82,437)	(34,917)
Increase in accounts payable	529,561	520,893
Decrease in deferred revenue	-	(23,800)
Increase in franchise contract liabilities	1,795	366,069

Net cash (used in) provided by operating activities (4,088,420) 1,956,317

Cash flows from investing activities

Advances to related parties (note 9)	(1,143,420)	(2,829,843)
Decrease in notes receivable	116,885	208,722
Sale of IP (note 10)	-	59,400,000
Acquisition of BRM software (note 4)	-	(1,002,647)

Net cash (used in) provided by investing activities (1,026,535) 55,776,232

Cash flows from financing activities

Repayments of debt	-	(2,100,000)
Repayment to related parties (note 9)	-	(200,000)
Drawdown (repayment) of line of credit (note 6)	43,817	(85,188)
Members contributions (distributions) (note 9)	4,955,000	(53,762,262)

Net cash provided by (used in) financing activities 4,998,817 (56,147,450)

Foreign exchange differences on cash and cash equivalents 6,482 (15,422)

Net (decrease) increase in cash (109,656) 1,569,676

Cash, beginning of year 1,931,310 361,634

Cash, end of year \$ 1,821,654 \$ 1,931,310

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

1. Operations and economic dependence

SBS Franchising, Inc. (the "Company") was formed under the General Corporation Law of the state of Delaware on January 13, 2015. For income tax purposes, the Company converted from a corporation to a limited liability company at the beginning of 2018 and changed its name to SBS Franchising, LLC. The Company is in the business of franchising commercial cleaning businesses and, in that regard, granting to independent investors the right to operate master franchises of the Company's commercial cleaning and maintenance service business, and granting licenses to such master franchisees to use the methods, marks, procedures and products developed by the Company.

Going concern

The Company had a net loss of \$4,442,886 and negative operating cash flow of \$4,088,420 during the period. This is primarily due to a deferred tax charge of \$4,919,000 related to the gain on the sale of IP from the previous reporting period. In order to meet this tax liability, the Company is dependent upon its shareholders for financial support. The Company believes it has sufficient resources for future periods to continue as a going concern.

2. Summary of significant accounting policies

Basis of presentation

The Company has prepared these consolidated financial statements in accordance with US Generally Accepted Accounts Principles (U.S. GAAP).

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Making estimates requires management to exercise significant judgement. Management base its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are based on information available as of the date of the financial statements; therefore, actual results may differ materially from those estimates. Significant areas requiring the use of estimates relate to the determination of recoverability of trade receivables.

Related party transactions

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Concentrations of credit risk

Financial instruments that could potentially subject the Company to concentration of credit risk include cash deposited in accounts in excess of federally insured limits, and accounts receivable.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Foreign Operations

The consolidated financial statements are presented in U.S. dollars, which is the reporting currency. The Company translates the results of operations of its subsidiaries with functional currencies other than the U.S. dollar using average exchange rates during each period and translates balance sheet accounts using exchange rates at the end of each period.

The Company records currency translation adjustments as a component of equity within Accumulated other comprehensive income and transaction gains and losses in other expense, net in our consolidated statements of operations and comprehensive (loss) income. Foreign currency translation balances.

reported within Accumulated other comprehensive income are recognized in the consolidated statements of operations and comprehensive (loss) income when the operation is disposed of or substantially liquidated.

Revenue recognition

Franchise revenue, in the form of royalty fees, franchise license fees, and other revenue is recognized in accordance with ASC 606 - Revenue from Contracts with Customers ("ASC 606"). Under ASC 606, revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration the Company expects to receive for those services or goods.

The standard includes the following five-step revenue recognition process:

1. Identify the contract with a customer
2. Identify performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when each performance obligation is satisfied

The Company has implemented this five-step process in recognizing revenues related to the sale of franchise contracts. The Company has executed franchise agreements with its customers (the "Franchisees") in which the rights and obligations of each party are specified. The contract terms are typically 15 years. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The Company's franchise sale performance obligations include providing initial and continuous training, brand training and reference materials, use of marks and logos, and continuous franchisee support. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's intellectual property over the term of the license. While revenue is presented in the consolidated statements of income on a disaggregated basis, the services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Therefore, the franchise sale revenue collected from Franchisees are directly allocated to such single performance obligation. While the recognition of franchise sale revenues is spread over the term of the franchise contracts on a straight-line basis, the royalty revenues are recognized on a monthly basis as a percentage of revenues earned by the Franchisees.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The un-recognized portions of the contract costs and revenues have been recorded as master franchise fee receivable and franchise contract liabilities, respectively, in the Company's financial statements. Incremental costs of obtaining customer contracts are capitalized as a franchise asset and expensed on a straight-line basis over the life of the contract. A franchise contract liability is recognized to defer initial franchise fee revenue over the period of the contract it relates to.

The Company receives cash and master franchise fee receivable as consideration upon the issuance of non-cancelable business licensing contracts with its cleaning service master licensees. The Company recognizes franchise fee revenue in accordance with ASC 606 as the licenses are issued, and cash is received, or master franchise fee receivable are signed and become effective.

The Company does not incur a significant amount of contract acquisition costs in conducting its franchising activities. The Company believes its franchising arrangements do not contain a significant financing component. The Company usually receives cash within 30 days of invoice.

Accounts receivable and master franchise fee receivable

The Company uses the accrual method of accounting and evaluates the collectability of its accounts and master franchise fee receivable based on historical data and anticipated effects of economic and other business trends that may have a bearing on collectability.

Intangible assets

Intangible assets are stated at cost at the date of purchase, less accumulated amortization. Amortization is calculated using the straight-line method over of the estimated useful life of the asset. Intangible assets have a useful life of 7 years.

Intangible assets area assessed for impairment on an annual basis. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the intangible asset and adjusts the carrying value accordingly.

Fair value of financial instruments

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. There is a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 -

Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 -

Includes other inputs that are directly or indirectly observable in the marketplace, such as quoted market prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Fair value of financial instruments (continued)

Level 3 -

Unobservable inputs which are supported by little or no market activity.

Financial instruments (principally cash and cash equivalents, accounts receivable, accounts payable and accrued expenses) are carried at cost, which approximates fair value due to the short-term maturity of these instruments. Our credit facility is carried at cost, which approximates fair value due to the variable interest rate associated with the revolving credit facility.

Income taxes

As a limited liability company, the Company does not pay federal income taxes. Instead, the taxable income is passed through to the owners. Consequently, the owners are individually liable for federal income taxes based on their share of Company's taxable income. A fee is paid to the state of California based on the gross receipts of the Company during the taxable year.

Consolidation

This policy outlines the processes necessary to ensure proper financial statement presentation of these entities within the SBS Franchising LLC's consolidated financial statements.

Financial statement information for SBS Franchising LLC Group entities is maintained in separate ledgers. The following consolidated entities are in-scope for purposes of this policy:

1. SBS Franchising, LLC ("SBS") is a Delaware corporation of which Afshin Cangarlu, Foad Rekabi, and Best Bits Inc. are sole owners. SBS Franchising offers the right to sell and license individual commercial cleaning franchises ("master franchises") using the Stratus Building Solutions system and trademarks.
2. Stratus Building Solutions Canada Inc. is a Canadian corporation of which SBS Franchising, LLC is the sole owner. Stratus Building Solutions Canada Inc. offers the right to sell and license individual commercial cleaning franchises ("master franchises") in the Canadian provinces using the Stratus Building Solutions system and trademarks.

All intercompany transactions are eliminated upon consolidation.

3. Restricted cash

Per the Acquisition Agreement (note 10) by and between SBS Franchising ("Vendor"), LLC, Strat-B Royalties Limited Partnership, and Diversified Royalty Corp ("DIV"), the Vendor shall maintain a minimum cash balance of \$1,200,000 in a segregated account until the later of the first anniversary of the closing date of the sale of the Vendor's worldwide trademark portfolio and certain other intellectual property rights or DIV consent in writing that the Vendor's trailing twelve-month EBITDA target have been met. As at December 31, 2023, the EBITDA target has not been met.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

4. Intangible Assets

On January 1, 2022, the Company purchased software from BRMCloud Inc. (note 9). The software is used by the Company and its master franchises for the day-to-day management of their businesses. The Company amortize the software over its useful life of 7 years.

	<u>2023</u>	<u>2022</u>
January 1	\$ 859,399	\$ 2,913,921
Software acquired	-	1,002,646
Transfer from related party (note 9)		7,114,856
Amortization	(143,247)	(143,247)
Disposals (note 10)		(10,028,777)
Ending balance	<u>\$ 716,152</u>	<u>\$ 859,399</u>

Following is a schedule of future amortization expenses as of December 31, 2023:

2024	\$ 143,247
2025	143,247
2026	143,247
2027	143,247
2028	143,164
	<u>\$ 716,152</u>

5. Franchise contract assets and liabilities

Franchise contract assets	<u>2023</u>	<u>2022</u>
January 1	\$ 640,986	\$ 606,086
Additions	152,575	69,817
Amortization	(70,138)	(34,917)
Ending balance	<u>\$ 723,423</u>	<u>\$ 640,986</u>
Franchise contract liabilities	<u>2023</u>	<u>2022</u>
January 1	\$ 4,127,722	\$ 3,785,798
Additions	358,286	664,461
Amortization	(344,762)	(322,537)
Ending balance	<u>\$ 4,141,246</u>	<u>\$ 4,127,722</u>

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

6. Line of credit

The Company has a line of credit available of \$140,000. As at December 31, 2023, the Company had drawn down \$89,711 (2022: \$45,954). The interest rate is 2.99%.

7. Employee salaries and benefits

The Company offers a matching contributory retirement plan to the employees that have been with the Company for more than one year. The total cost during the year was \$41,263 (2022: \$22,943).

8. Provision for income taxes

The Company files income tax returns in the U.S. federal jurisdiction, and the states of Delaware and California. While the Company is not subject to U.S. federal tax, it is subject to California state limited liability fees based on gross receipts, with a minimum \$800 annual fee.

SBS Franchising LLC has elected the pass-through-entity elective tax. The elective tax is 9.3% of the entity's qualified net income, which is the sum of the pro rata or distributive share and guaranteed payments of each qualified taxpayers' income subject to California personal income tax. Qualified taxpayers are eligible to claim a non-refundable credit for tax paid on the qualified taxpayers' pro rata or distributive share and guaranteed payments included in the qualified entity's qualified net income. Unused credits can be carried over for up to 5 years.

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company recognizes no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2023 for which the ultimate deductibility is uncertain. The Company recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses. No such interest or penalties were recognized during the period presented. The Company had no accrual for interest and penalties at December 31, 2023 and 2022.

In 2022, the Company filed an extension for payment which was granted, deferring the tax charge to the year ended December 31, 2023.

9. Related parties

The Company pays management fees to a related entity owned by two of the owners of the Company. The total management fees paid in 2023 and 2022 were \$Nil and \$150,000, respectively.

The Company pays occupancy, management and consulting fees to related entities owned by three of the owners of the Company. The total fees in 2023 and 2022 were \$237,500 and \$759,333, respectively.

The Company purchased software in 2022 from BRMCloud Inc., which is owned by two of the Company's owners. The software is used by the Company and its master franchises for the day-to-day management of their businesses.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

9. Related parties (continued)

The Company purchased software in 2022 from BRMCloud Inc., which is owned by two of the Company's owners. The software is used by the Company and its master franchises for the day-to-day management of their businesses.

The Company owners participate in monthly founders' royalty and equity drawdowns. The total founders' royalty in 2023 and 2022 was \$Nil and \$617,516, and the ownership drawdowns in 2023 and 2022 were \$Nil and \$1,050,000, respectively.

The Company received \$Nil (2022: \$7,114,856) as a contribution in the form of intangible assets from SBS Services Group, LLC.

The Company received a contribution of \$4,955,000 from its owners (2022: made a distribution of \$52,109,239 to its owners). Total member contributions received in cash for the period amount to \$4,955,000 (2022: \$53,762,262 distributions paid).

SBS Services Group, LLC maintains a franchise license from SBS Franchising, LLC to operate as a "Master Franchisor" in various geographical regions within the United States. Under the master franchise license, the Company provides licenses to its franchisees to use the methods, marks, procedures and products developed by the Company. Per the master franchise license, SBS Services Group, LLC is obligated to pay royalties to the Company. The total royalties for 2023 and 2022 were \$2,086,248 and \$1,232,418, respectively.

The Company is owed \$1,411,399 and \$678,057 from SBS Services Group, LLC and Stratus Building Solutions Canada Inc. respectively, in relation to license fees paid in 2023 to Diversified Royalty Corp (note 10).

10. Sale of intellectual property

On November 15, 2022 the Company sold its worldwide trademark portfolio and certain other intellectual property rights utilized by Stratus Franchising, LLC ("Stratus Rights") in its business to Strat-B Royalties Limited Partnership, a division of Diversified Royalty Corp ("DIV"). The total purchase price included cash of \$59.4 million and variable consideration in the form of an incremental earn out discussed below.

Concurrently with the sale, the Company entered into a licensing arrangement whereby DIV licensed the Stratus Rights in the United States, Canada, Australia, New Zealand and the United Kingdom back to the Company for 50 years, in exchange for an initial royalty payment of \$6 million per annum. The initial royalty will be automatically increased by 5% on each anniversary of the closing date in calendar years 2023, 2024, 2025 and 2026 and by 4% on each anniversary of the closing date thereafter without any further consideration payable by DIV or Strat-B LP. During 2023, the Company paid \$4,646,936 to DIV in respect of license fees (2022: \$768,905).

On April 1st of each year following the closing date, DIV can compel the Company to pay an additional royalty fee ("Additional Royalty") based on the Company meeting certain EBITDA targets. The amount of the Additional Royalty fee cannot be less than \$1,000,000 per annum and must, in respect of amounts over that threshold, be in increments of \$100,000 per annum. The EBITDA targets were not met in 2023.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2023

10. Sale of intellectual property (continued)

If DIV compels the Company to pay the Additional Royalty, the incremental earn out is triggered and the Company will be entitled to incremental earn out payments under the sale agreement. As discussed above, the incremental earn out is a form of variable consideration, and as at December 31, 2023, the Company is unable to assert that it is highly probable there will not be a significant reversal. As a result, the Company has not recognized the variable consideration on the sale. The Company will reassess the likelihood at each reporting period.

The sale of the Stratus Rights resulted in a gain of \$49,371,163 recognized in the year ended December 31, 2022.

11. Commitments and contingencies

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. The Company provides for these uncertainties when the occurrence of events is likely, and a reasonable estimate of the loss can be made.

As of the date of the audit report there are no contingent or other liabilities that have not been recorded or disclosed in these financial statements or accompanying notes and that there is no pending or threatened litigation against the Company, its management or its owners.

12. Restatement

Management evaluated the presentation of the Gain on sale of IP and amortization & depreciation within other income (expenses) in the prior reporting period and concluded it was not presented in accordance with US Generally Accepted Accounts Principles (U.S. GAAP). These items have therefore been presented in operating income in these financial statements. The Company determined that the change is a result of a misapplication of US GAAP and should be treated as a correction of an error, even though its previously reported net income would not change.

13. Subsequent events

Management evaluated subsequent events through March 5, 2024, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.



Consolidated Financial Statements

SBS Franchising LLC

(Expressed in US dollars)

December 31, 2022 and 2021

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Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4
T +1 604 687 2711
F +1 604 685 6569

To the Members of

SBS Franchising LLC

Opinion

We have audited the consolidated financial statements of SBS Franchising LLC (the "Company"), which comprise the balance sheet as at December 31, 2022, and the statements of income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of SBS Franchising LLC for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2022.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Vancouver, Canada
March 31, 2023

Chartered Professional Accountants

SBS Franchising LLC

Balance Sheets

(Expressed in US dollars)

December 31

2022

2021

Assets

Current

Cash	\$ 731,310	\$ 361,634
Restricted cash (note 3)	1,200,000	-
Accounts receivable, net of allowance for doubtful accounts of \$35,900 (2021 - \$87,600)	616,869	586,372
Due from related parties (note 7)	2,838,923	-
Prepaid expenses	65,287	-
Master franchise fee receivable	125,472	201,405

Total current assets	5,577,861	1,149,411
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Intangible assets (note 8)	859,399	2,913,981
Franchise assets	640,986	606,068
Master franchise fee receivable	15,604	149,374

Total assets	\$ 7,093,850	\$ 4,818,834
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Liabilities

Current

Line of credit with financial institutions	\$ 45,954	\$ 39,423
Accounts payable and accrued liabilities	848,876	493,825
Insurance reserve	-	41,640
Unearned revenue	-	23,800
Franchise contract liabilities	150,738	133,813
Notes payable	-	54,579
Due to related parties (note 7)	-	200,000

Total current liabilities	1,045,568	987,080
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Franchise contract liabilities	3,976,984	3,651,985
Notes payable	-	2,100,000

Total liabilities	5,022,552	6,739,065
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Members' equity

Members' interest (note 9)	2,024,028	(1,927,857)
Cumulative translation adjustment	47,270	7,626

Total members' equity	2,071,298	(1,920,231)
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Total liabilities and members' equity	\$ 7,093,850	\$ 4,818,834
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On behalf of the board

Director

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

3

SBS Franchising LLC

Statements of Income

(Expressed in US dollars)

Years ended December 31

2022

2021

Revenue		
Royalty fees	\$ 6,779,096	\$ 5,106,733
Franchise license fees	349,125	371,687
Other revenues	84,630	6,167
Total revenues	7,212,851	5,484,587
Expenses		
Employee compensation and benefits (note 4)	1,849,040	1,505,796
Legal and professional fees	1,349,238	303,815
Marketing and advertising	781,481	491,597
License fees (note 7)	768,905	-
General and administration	450,989	195,755
Franchisee expenses	150,000	66,000
Occupancy	145,719	46,505
Software license fee (note 7)	86,749	723,745
Franchise contract expense	4,888	59,601
Recovery of doubtful accounts receivable	(51,700)	(62,400)
Total expenses	5,535,309	3,330,414
Operating income	1,677,542	2,154,173
Other income (expenses)		
Gain on sale of IP (note 8)	49,371,163	-
Interest earned	7,791	5,676
Gain on extinguishment of debt	-	206,653
Exchange gain or loss	(894)	-
Depreciation & amortization	(143,247)	-
Income tax expense (note 6)	(118,670)	(51,609)
Interest expense	(179,902)	(247,601)
Net income	\$ 50,613,783	\$ 2,067,292

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

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SBS Franchising LLC

Statements of Changes in Members' Equity

(Expressed in US dollars)

Years ended December 31, 2022 and 2021

	Members' Capital	Accumulated Profit	Total Members' Equity
January 1, 2021	\$ (165,825)	\$ (1,711,907)	\$ (1,877,732)
Net income	-	2,067,292	2,067,292
Member distributions	-	(2,117,416)	(2,117,416)
Cumulative translation	-	7,625	7,625
December 31, 2021	(165,825)	(1,754,406)	(1,920,231)
Net income	-	50,613,783	50,613,783
Member distributions	-	(46,661,899)	(46,661,899)
Cumulative translation	-	39,645	39,645
December 31, 2022	\$ (165,825)	\$ 2,237,123	\$ 2,071,298

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

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SBS Franchising LLC

Statements of Cash Flows

(Expressed in US dollars)

Years ended December 31

2022

2021

Cash flows from operating activities

Net income	\$ 50,613,783	\$ 2,067,292
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation	143,247	-
Gain on sale of IP (note 8)	(49,371,163)	-
Gain on extinguishment of debt	-	(206,653)

Change in operating assets and liabilities:

Increase in accounts receivable	(192,508)	(219,423)
Decrease (increase) in prepaids and other assets	(65,287)	12,667
Increase in franchise contract assets	(34,917)	(21,096)
Increase in accounts payable	520,893	97,044
Increase (decrease) in deferred revenue	(23,800)	23,801
Increase in franchise contract liabilities	366,069	542,716
Decrease in other liabilities	(85,188)	(49,913)

Net cash provided by operating activities	1,871,129	2,246,435
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Cash flows from investing activities

Sale of IP (note 8)	59,400,000	-
Acquisition of BRM software (note 9)	(1,002,647)	-
Advances to related parties (note 9)	(2,829,843)	294,748
Decrease (increase) in notes receivable	208,722	(91,235)

Net cash provided by investing activities	55,776,232	203,513
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Cash flows from financing activities

Repayments of debt	(2,100,000)	(400,000)
Repayment to related parties	(200,000)	-
Members distributions	(53,762,262)	(2,117,416)

Net cash used in financing activities	(56,062,262)	(2,517,416)
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Foreign currency translation	(15,422)	(4,169)
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Net increase (decrease) in cash	1,569,676	(71,637)
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Cash, beginning of year	361,634	433,271
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Cash, end of year	\$ 1,931,310	\$ 361,634
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The accompanying notes are an integral part of these financial statements.

6

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

1. Operations

SBS Franchising, Inc. (the "Company") was formed under the General Corporation Law of the state of Delaware on January 13, 2015. For income tax purposes, the Company converted from a corporation to a limited liability company at the beginning of 2018 and changed its name to SBS Franchising, LLC. The Company is in the business of franchising commercial cleaning businesses and, in that regard, granting to independent investors the right to operate master franchises of the Company's commercial cleaning and maintenance service business, and granting licenses to such master franchisees to use the methods, marks, procedures and products developed by the Company. The financial information contained in this report is limited to the Company's U.S. and Canadian operations.

2. Summary of significant accounting policies

Basis of presentation

The Company has prepared these consolidated financial statements in accordance with US Generally Accepted Accounts Principles (U.S. GAAP).

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Making estimates requires management to exercise significant judgement. Management base its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are based on information available as of the date of the financial statements; therefore, actual results may differ materially from those estimates. Significant areas requiring the use of estimates relate to the determination of recoverability of trade receivables.

Related party transactions

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Concentrations of credit risk

Financial instruments that could potentially subject the Company to concentration of credit risk include cash deposited in accounts in excess of federally insured limits, and accounts receivable.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Revenue recognition

Franchise revenue, in the form of royalty fees, franchise license fees, and other revenue is recognized in accordance with ASC 606 - Revenue from Contracts with Customers ("ASC 606"). Under ASC 606, revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration the Company expects to receive for those services or goods.

The standard includes the following five-step revenue recognition process:

1. Identify the contract with a customer
2. Identify performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when each performance obligation is satisfied

The Company has implemented this five-step process in recognizing revenues related to the sale of franchise contracts. The Company has executed franchise agreements with its customers (the "Franchisees") in which the rights and obligations of each party are specified. The contract terms are typically 15 years. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The Company's franchise sale performance obligations include providing initial and continuous training, brand training and reference materials, use of marks and logos, and continuous franchisee support. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. Therefore, the franchise sale revenue collected from Franchisees are directly allocated to such single performance obligation. While the recognition of franchise sale revenues is spread over the term of the franchise contracts on a straight-line basis, the royalty revenues are recognized on a monthly basis as a percentage of revenues earned by the Franchisees.

The un-recognized portions of the contract costs and revenues have been recorded as master franchise fee receivable and franchise contract liabilities, respectively, in the Company's financial statements. Incremental costs of obtaining customer contracts are capitalized as an asset and expensed on a straight-line basis over the life of the contract. A contract liability is recognized to defer initial franchise fee revenue over the period of the contract it relates to.

The Company receives cash and master franchise fee receivable as consideration upon the issuance of non-cancelable business licensing contracts with its cleaning service master licensees. The Company recognizes franchise fee revenue in accordance with ASC 606 as the licenses are issued, and cash is received, or master franchise fee receivable are signed and become effective.

The Company does not incur a significant amount of contract acquisition costs in conducting its franchising activities. The Company believes its franchising arrangements do not contain a significant financing component.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Accounts receivable and master franchise fee receivable

The Company uses the accrual method of accounting and evaluates the collectability of its accounts and master franchise fee receivable based on historical data and anticipated effects of economic and other business trends that may have a bearing on collectability.

Fair value of financial instruments

All financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently measured at cost or amortized cost and management has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset and adjusts the carrying value accordingly. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Income taxes

As a limited liability company, the Company does not pay federal income taxes. Instead, the taxable income is passed through to the owners. Consequently, the owners are individually liable for federal income taxes based on their share of Company's taxable income. A fee is paid to the state of California based on the gross receipts of the Company during the taxable year.

Consolidation

This policy outlines the processes necessary to ensure proper financial statement presentation of these entities within the SBS Franchising LLC's consolidated financial statements.

Financial statement information for SBS Franchising LLC Group entities is maintained in separate ledgers. The following consolidated entities are in-scope for purposes of this policy:

1. SBS Franchising, LLC ("SBS") is a Delaware corporation of which Afshin Cangarlu, Foad Rekabi, and Best Bits Inc. are sole owners. SBS Franchising offers the right to sell and license individual commercial cleaning franchises ("master franchises") using the Stratus Building Solutions system and trademarks.
2. Stratus Building Solutions Canada Inc. is a Canadian corporation of which SBS Franchising, LLC is the sole owner. Stratus Building Solutions Canada Inc. offers the right to sell and license individual commercial cleaning franchises ("master franchises") in the Canadian provinces using the Stratus Building Solutions system and trademarks.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Recent accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, Measurement of credit losses on financial instruments. The ASU requires measurement and recognition of expected credit losses for financial assets held by the Company. The ASU requires entities to estimate an expected lifetime credit loss on financial assets ranging from short-term trade accounts receivable to long-term financings. The ASU is effective for the Company beginning or after December 15, 2022, including interim periods in fiscal year 2022.

In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments—Credit Losses (Topic 326). The ASU provides final guidance that allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets at amortized cost (except held-to maturity securities) using the fair value option. The ASU is effective for the Company beginning on or after December 15, 2022, including interim periods in fiscal year 2022.

3. Restricted cash

Per the Acquisition Agreement (note 8) by and between SBS Franchising ("Vendor"), LLC, Strat-B Royalties Limited Partnership, and Diversified Royalty Corp ("DIV"), the Vendor shall maintain a minimum cash balance of \$1,200,000 in a segregated account until the later of the first anniversary of the closing date of the sale of the Vendor's worldwide trademark portfolio and certain other intellectual property rights or DIV consent in writing that the Vendor's trailing twelve-month EBITDA hurdles have been met.

4. Employee salaries and benefits

The Company offers a matching contributory retirement plan to the employees that have been with the Company for more than one year. The total cost during the year was \$22,943 (2021 - \$31,773).

5. Workers compensation insurance program and reserve account

The Company's Master Franchisees participated in a group/co-op workers' compensation insurance plan by taking advantage of the group rate and collectively sharing both the benefit and the risk. This was a three-year plan and the rates were calculated on a cumulative basis throughout the three years. A separate bank account was established and dedicated to this insurance program to collect premiums from participating Master Franchisees and pay the monthly premiums to the insurance carrier. The reserve was accumulated based on monthly collections in excess of the required insurance premium to cover potential higher than expected premium hikes in the future. This program ended as of December 31, 2018. The accumulated reserve will not be returned to the participating Master Franchisees until the program is fully closed by the insurance carrier. In 2022 the group/co-op workers' compensation insurance plan was closed. The balance of the insurance reserve account as of December 31, 2022 and 2021 were \$Nil and \$41,640, respectively.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

6. Provision for income taxes

The Company files income tax returns in the U.S. federal jurisdiction, and the states of Delaware and California. While the Company is not subject to U.S. federal tax, it is subject to California state limited liability fees based on gross receipts, with a minimum \$800 annual fee.

SBS Franchising LLC has elected the pass-through-entity elective tax. The elective tax is 9.3% of the entity's qualified net income, which is the sum of the pro rata or distributive share and guaranteed payments of each qualified taxpayers' income subject to California personal income tax. Qualified taxpayers are eligible to claim a non-refundable credit for tax paid on the qualified taxpayers' pro rata or distributive share and guaranteed payments included in the qualified entity's qualified net income. Unused credits can be carried over for up to 5 years.

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company recognizes no increase in the liability for unrecognized tax benefits. The Company has no tax position at December 31, 2022 for which the ultimate deductibility is uncertain. The Company recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses. No such interest or penalties were recognized during the period presented. The Company had no accrual for interest and penalties at December 31, 2022 and 2021.

7. Related parties

The Company pays management fees to a related entity owned by two of the owners of the Company. The total management fees paid in 2022 and 2021 were \$150,000 and \$66,000, respectively.

The Company pays management and consulting fees to related entities owned by three of the owners of the Company. The total management and consulting fees in 2022 and 2021 were \$759,333 and \$120,360, respectively.

The Company purchased software in the year from BRMCloud Inc., which is owned by two of the Company's owners. The software is used by the Company and its master franchises for the day-to-day management of their businesses.

The Company owners participate in monthly founders' royalty and equity drawdowns. The total founders' royalty in 2022 and 2021 was \$617,416 and \$634,625, and the ownership drawdowns in 2022 and 2021 were \$1,050,000 and \$1,500,000, respectively.

As part of the transaction noted in note 8, the Company also received \$7,114,856 as a distribution in the form of intangible assets from SBS Services Group, LLC. Following the transaction, the Company made a distribution to its owners of \$52,109,239.

SBS Services Group, LLC maintains a franchise license from SBS Franchising, LLC to operate as a "Master Franchisor" in various geographical regions within the United States. Under the master franchise license, the Company provides licenses to its franchisees to use the methods, marks, procedures and products developed by the Company. Per the master franchise license, SBS Services Group, LLC is obligated to pay royalties to the Company. The total royalties for 2022 and 2021 were \$1,232,418 and \$940,758, respectively.

SBS Franchising LLC

Notes to the Financial Statements

December 31, 2022

8. Sale of intellectual property

On November 15, 2022 the Company sold its worldwide trademark portfolio and certain other intellectual property rights utilized by Stratus Franchising, LLC ("Stratus Rights") in its business to Strat-B Royalties Limited Partnership, a division of Diversified Royalty Corp. The total purchase price included cash of \$59.4 million and variable consideration in the form of an incremental earn out discussed below.

Concurrently with the sale, the Company entered into a licensing arrangement whereby DIV licensed the Stratus Rights in the United States, Canada, Australia, New Zealand and the United Kingdom back to the Company for 50 years, in exchange for an initial royalty payment of \$6 million per annum. The initial royalty will be automatically increased by 5% on each anniversary of the closing date in calendar years 2023, 2024, 2025 and 2026 and by 4% on each anniversary of the closing date thereafter without any further consideration payable by DIV or Strat-B LP.

On April 1st of each year following the closing date, DIV can compel the Company to pay an additional royalty fee ("Additional Royalty") based on the Company meeting certain EBITDA targets. The amount of the Additional Royalty fee cannot be less than \$1,000,000 per annum and must, in respect of amounts over that threshold, be in increments of \$100,000 per annum.

If DIV compels the Company to pay the Additional Royalty, the incremental earn out is triggered and the Company will be entitled to incremental earn out payments under the sale agreement. As discussed above, the incremental earn out is a form of variable consideration, and the Company is unable to assert that it is highly probable there will not be a significant reversal. As a result, the Company has not recognized the variable consideration on the sale. The Company will reassess the likelihood at each reporting period.

The sale of the Stratus Rights resulted in a gain of \$49,371,163.

9. Members' capital

Authorized

The shares which the Company is authorized to issue are Common Stock shares

Issued

As at 31 December, 2022, the Company had 10,000 Common Stock shares (2021 – 10,000) issued for a consideration of \$0.00001 per share.

10. Commitments and contingencies

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. The Company provides for these uncertainties when the occurrence of events is likely, and a reasonable estimate of the loss can be made.

As of the date of the audit report there are no contingent or other liabilities that have not been recorded or disclosed in these financial statements or accompanying notes and that there is no pending or threatened litigation against the Company, its management or its owners.

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SBS Franchising LLC
Notes to the Financial Statements
December 31, 2022

11. Subsequent events

Management evaluated subsequent events through March 31, 2023, the date these financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

EXHIBIT D
MASTER FRANCHISE AGREEMENT (with attachments)

SBS FRANCHISING, LLC
MASTER FRANCHISE AGREEMENT

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EXHIBITS:

Exhibit A – Non-Competition Agreement

Exhibit B – Schedule of Principals

THIS MASTER FRANCHISE AGREEMENT (the “Agreement”) between SBS Franchising, LLC a/k/a Stratus Building Solutions, a Delaware limited liability company (“SBS,” “Stratus,” “Franchisor,” “we,” “our,” or “us”); and _____, (“Master Franchisee,” “you,” or “your”) is effective on the date it is accepted and executed by two SBS officers (the “Effective Date”).

I. MASTER FRANCHISEE’S APPLICATION

Master Franchisee and its Owners acknowledge that they accept the terms, conditions and covenants in this Agreement, recognizing that they are necessary to:

- A. Maintain Stratus’ high standards of service to its master franchisees, unit franchisees and clients/customers; and
- B. Maintain the uniformity of those standards throughout the United States as described in our Training Program, Brand Standards Manuals and other materials we provide to you; and
- C. Protect and preserve the goodwill of the proprietary marks, including the service marks “Stratus” and “Stratus Building Solutions,” and such other marks and logos as we may prescribe from time to time (“Marks” or “Stratus Marks”); and
- D. Protect and preserve the proprietary methods, know-how, specialized training, access to trade secrets, and proprietary and confidential information related to the business method for the operation of commercial cleaning and maintenance businesses, including, without limitations, information about the operational, sales, promotional and marketing methods and techniques of Stratus Building Solutions (“Proprietary Information”) to be operated in accordance with the Stratus system of methods, manuals, specifications, and operating procedures and in accordance with its brand standards (“System” or “Stratus System”).

Master Franchisee recognizes that the nature of a janitorial business master franchise may evolve and change over time, and that an investment in a Stratus Master Franchise, like any other business, involves business risks.

Master Franchisee has applied for a license to own and operate a Master Franchise in an exclusive territory to be approved by the Franchisor and described below; and such application has been approved by Stratus in reliance upon all of the representations made therein including, without limitation, Master Franchisee’s representation that it will actively operate and manage its Master Franchise in accordance with the terms and conditions of this Agreement.

II. LICENSE GRANTED, TERRITORY, OFFICE & OPENING DATE

A. License Granted – The Marks and other intellectual property related to the System are owned by Diversified Royalty Corp., a Canadian public company (“Trademark Owner”); and Trademark Owner has licensed to SBS the right to use and sublicense the Marks and other intellectual property. Subject to the terms and conditions described below, SBS grants to the Master Franchisee the exclusive right to establish and operate a Stratus Building Solutions Master Franchise and a license to use the Marks and Stratus System in the business of selling and servicing comprehensive cleaning and maintenance service franchises, as well as the sale, leasing or distribution of related supplies and equipment, in the territory described as (the “Territory”):

_____.

B. Principal Office Must Be Located In Territory – Master Franchisee must establish and maintain its principal office within the Territory.

C. Opening Date – Master Franchisee agrees to open the Territory for business operations no later than _____, the actual date being referred to in this Agreement as the “Opening Date”.

D. Protected Territory. Master Franchisee will have the right to operate the Master Franchise within the described territory and SBS will not grant other such franchises under the System and the Stratus Cleaning marks, nor establish our own outlets under the System and the Stratus Cleaning marks, within the Territory, except under the limited circumstances provided for in this Agreement related to the failure of the Master Franchisee to meet the minimum growth obligation described below or a termination of this Agreement, and except as otherwise provided in Section I.F below.

E. Activity Outside of Territory Prohibited – The Master Franchisee has no authority to act under this Agreement or to provide services, or grant any rights, licenses or franchises to anyone outside the Territory. Absent prior written consent from SBS, the solicitation of customers or prospective unit franchisees outside of the Territory is strictly prohibited. SBS recognizes that media advertising may reach outside the Master Franchisee’s Territory (because the Master Franchisee may have no control over broadcast area or circulation of publications), and the Master Franchisee is not prohibited from using normal channels of advertising or marketing unless the promotion is directed to customers or prospective unit franchisees outside of the Territory. SBS may insist on reparation to any neighboring Master Franchisee who is damaged by a violation of this provision, to cure the Master Franchisee’s default.

F. Retained Rights. SBS retains the rights, among others, on any terms and conditions it deems advisable, and without granting Master Franchisee any rights therein:

1. To establish and operate, and license others to establish and operate, an SBS Master Franchise business under the System and the Stratus Marks at any location outside your Territory, notwithstanding the proximity to your Territory;

2. To sell or distribute, or license others to sell or distribute, directly or indirectly, any products and services other than products and services sold through the Stratus System, through any distribution channels (including, without limitation, the Internet), at any location whether within or outside your Territory under any proprietary marks (including the Stratus Marks); and

3. to establish, acquire, franchise, or operate any business or cleaning or maintenance service business of any kind, including competitive businesses, under any marks other than the Stratus Marks at any location in the Territory, and to purchase, or be purchased by, or merge or combine with, competing businesses, wherever located, including in the Territory.

G. Office Lease & Furnishings – Master Franchisee is solely responsible for any leases of real or personal property in connection with the operation of its business, but understands that SBS must approve the Master Franchisee’s principal office location, furniture and décor to protect the Stratus Building Solutions image and reputation. Master Franchisee must, while this Agreement is in effect, maintain such office and all fixtures, furnishing, signs and equipment located thereon in good order and condition, and in conformity with the Stratus Building Solutions System image as such may be prescribed by SBS from time to time. Master Franchisee must, within reasonable time specified by SBS, make all necessary reasonable additions, alterations, repairs and replacements to the office as required by SBS, but no others without SBS’s prior written consent, including, but not limited to, periodic repainting or replacement of signs, furnishings, equipment or décor. No other business venture may operate out of the premises utilized by

Master Franchisee for its office without the prior written consent of SBS. Master Franchisee must require any Unit Franchisee who leases office space outside the Unit Franchisee's residence to fully comply with the requirements of this Section. Master Franchisee must provide a copy of its lease to SBS within ten (10) days of its execution.

III. TERM & RENEWAL

A. Initial Term – The initial term of this Agreement begins on the Effective Date and ends fifteen (15) years from that date.

B. Renewal – At Master Franchisee's option, this Agreement may be renewed for up to two (2) successive periods of fifteen (15) years each (hereinafter referred to as "Renewal Term"), provided that all of the following conditions are met on the renewal date:

1. Master Franchisee gives SBS written notice of the election to renew no less than six (6) months and no more than twelve (12) months prior to the end of the term or each Renewal Term.

2. Master Franchisee is not in default of any provision of:

(a) this Agreement, including any amendment or restatement or successor agreement, or

(b) any other agreement between Master Franchisee and SBS, its subsidiaries and affiliates,

and has substantially complied with all the terms and conditions of such agreements during the initial term and renewal term(s), as the case may be.

3. Master Franchisee has satisfied all of its monetary obligations owed to SBS, and its subsidiaries and affiliates, and has timely met these obligations throughout the term of this Agreement and each Renewal Term; and

4. Master Franchisee executes SBS' then-current form of Master Franchise Agreement, which will supersede this Agreement in all respects, and the terms of which may materially differ from the terms of this Agreement, except that Master Franchisee's territory may not be reduced as a condition to renewal and Master Franchisee is not required to pay any franchise fee which is then required of new Stratus Building Solution master franchisees; and

5. Master Franchisee has complied with SBS' then current qualifications and training requirements; and

6. Master Franchisee executes a general release in the form substantially similar to the general release attached to Franchisor's Franchise Disclosure Document provided to Master Franchisee no less than fourteen calendar days prior to the execution of this Agreement.

C. Non-Renewal – If no renewal is elected by Master Franchisee, and this Agreement has not otherwise been terminated by SBS, then it terminates on the last day of the then-current term or Renewal Term, and no notice is required. All provisions of this Agreement that specifically survive the term of this Agreement or by their nature survive the term of this Agreement, including but not limited to confidentiality and non-competition provisions, will remain in full force and effect.

IV. FEES, PAYMENTS & REPORTS

A. The initial franchise fee is: _____ and it is payable as follows:

1. _____ due at the time this Agreement is executed; and
2. _____ due on the _____ day of _____, 20____.

This franchise fee is non-refundable and is in addition to any other payments, including royalties that are payable under this Agreement.

B. Royalty Fees & Other Payment Obligations

1. Royalty on Contract Services & Sales Revenues – Master Franchisee agrees to pay to SBS, not later than the 10th day of each calendar month, a royalty fee calculated as a percentage of the Master Franchisee’s Gross Revenues from contract services (whether performed directly by the Master Franchisee or its unit franchisees) for the prior calendar month, as follows:

<u>Gross Revenues – Monthly</u>	<u>Royalty Fee (% of Gross Revenues)</u>
Less than \$300,000.00	4.0%
Between \$300,000.00 and \$500,000.00	3.5%
Over \$500,000.00	3.0%

These royalties are calculated by each region independently and are not cumulative (i.e. each rate applies only to the revenues in its applicable category). For example, if Gross Revenues reach \$550,000.00 in any calendar month, the royalties would be calculated as follows:

4.0% of \$300,000.00; and

3.5% of \$200,000.00 (amount in excess of \$300,000.00 but less than \$500,000.00); and

3.0% of \$50,000 (the amount in excess of \$500,000.00).

2. Gross Revenues Defined – For purposes of calculating any royalty fee or payment due under this Agreement the term “Gross Revenues” means the total receipts collected for services and results of services performed by Master Franchisee and its Unit Franchisees at location where any type of cleaning and/or maintenance related services, including, but not limited to, commercial, industrial, institutional and residential cleaning and/or maintenance services are performed, without reduction for any amounts payable to or retained by franchisees and any other revenue related to or derived from the conduct and operation of Master Franchisee’s business. Sales from any Additional Business Services conducted by Unit Franchisees shall not be deemed Gross Revenues.

3. Royalty On Unit Franchise Fees – Master Franchisee agrees to pay to SBS, not later than the 10th day of each calendar month, a royalty fee on initial franchise fees for sales of unit franchises (“Unit Franchise Fee”) received in the prior month. The royalty fee is the mathematical product of (a) the total amount of the Unit Franchisee Fees received in the prior month multiplied by (b) a percentage, which is determined based on the amount of monthly Gross Revenues generated by your Master Franchise for the prior calendar month, as follows:

<u>Gross Revenues – Monthly</u>	<u>Royalty Fee Percentage</u>
Less than \$300,000.00	20%
Between \$300,000.00 and \$500,000.00	15%
Over \$500,000.00	10%

20%/15%/10% (based on above) of any Unit Franchise Fee received by Master Franchisee at time of sale; which must be paid to SBS by the 10th day of the next calendar month after the Unit Franchise fee is received by the Master Franchisee.

4. Advertising Fee – SBS reserves the right to require Master Franchisee to pay an advertising fee as described in this Section IV.B.4, although it does not require payment of such as fee as of the Effective Date. If SBS, in its sole discretion, decides to charge an advertising fee, SBS may do so upon thirty (30) days written notice to Master Franchisee. Upon receipt of such notice, Master Franchisee agrees to contribute to the Stratus Cleaning marks, not later than the 10th day of each calendar month, a monthly advertising and public relations fee of \$150.00 or one percent (1.0%) of Gross Revenues, whichever is higher.

5. Additional Payments to Franchisor – In addition to all other payments that Master Franchisee is obligated to pay SBS under this Agreement, the Master Franchise must pay to SBS, or its designees, promptly when due, the following obligations:

(a) All sales taxes, use taxes, excise taxes, personal property taxes and other similar taxes, regardless of type or nature, imposed, levied, assessed or charged, on, against, or in connection with: 1) any products, services or equipment sold, furnished or leased by SBS to the Master Franchisee, or 2) any royalties or other fees paid by Master Franchisee to SBS; other than taxes measured solely by, and imposed on SBS' taxable income.

(b) All amounts advanced by SBS or which SBS pays, or becomes obligated to pay, on behalf of Master Franchisee or any of Master Franchisee's Unit Franchisees, for any reason whatsoever.

(c) All amounts for goods or services purchased by Master Franchisee from SBS, its subsidiaries, affiliates or designees.

(d) Stratus may implement, from time to time, new programs and operating procedures that would allow it to provide improved productivity or to render better services and may require that additional capital from you be provided. Examples of such programs are the use of technology to generate efficiencies in operating the Regional Office, create more lead sources for you, better ways to communicate with you and improved promotional materials, sales materials and service manuals.

6. Late Payment Fee – Any royalty fee or other payment obligation of the Master Franchisee to SBS that is not paid when due, is subject to a late charge which is the greater of: five percent (5%) of the delinquent payment or the maximum late fee payment allowed by law in the state of Master Franchisee's Territory.

7. Material Breach for Multiple Late Reports – A late payment of any royalty or other fee due from Master Franchises to SBS is not a material default. However, failure to make TWO (2)

payments of any royalty or other fee when due, within any twelve (12) month period is a material default under this Agreement, whether or not the late payment was cured (i.e., paid at a later date).

8. Allocation of Monies Received & SBS Set-Off Rights – If Master Franchisee is delinquent in the payment of any obligation to SBS under this Agreement, or under any other agreement with, or obligation to, SBS then SBS may apply any payment from the Master Franchisee to the oldest obligation due, first to interest, penalties and late charges and then to principal, whether under this Agreement or otherwise, despite any instruction from Master Franchisee to the contrary. Any monies owed by SBS to the Master Franchisee may be applied, credited, or set off against any debt of the Master Franchisee to SBS.

9. ACH Electronic Transfer – At our discretion, Franchisor may collect any and all fees owed to it through ACH (Automated Clearing House) electronic transfers. Master Franchisee agrees to grant any approval necessary and sign any all documents necessary to establish such electronic transfers, and will not withdraw such approval without the consent of Franchisor.

C. Reports

1. Unit Franchisee Sales Reporting – Master Franchisee agrees to send SBS a copy of all executed pages filled out or signed in the unit franchise agreements by the 10th day of the next calendar month after it is executed.

2. Monthly Gross Revenues Reports – Master Franchisee agrees to submit to SBS, or its designee, on SBS approved forms, by the 10th day of each calendar month:

(a) A report that accurately records all Gross Revenues that have been received by the Master Franchisee during the previous calendar month; and

(b) A report that accurately records all Gross Revenues that have been generated by all of the Master Franchisee's Unit Franchisees during the previous calendar month; and all reports must be mailed in such time as to reach SBS or its designee on or before the tenth (10th) day of each month. Should such report not be received on or before the tenth (10th) day of the month, Master Franchisee agrees to pay a late charge of fifty dollars (\$50.00) per day for each day that the report is not submitted and the parties agree such a charge is reasonable and proper.

3. Material Breach for Multiple Late Reports – The Master Franchisee's late submission of a monthly royalty report is not a material default. However, the failure to make TWO (2) monthly reports when due, within any twelve (12) month period is a material default under this Agreement, whether or not the past due report is actually filed.

V. **MINIMUM REVENUES & MARKETING REQUIREMENTS**

A. Minimum Monthly Revenues – Within one year after the Opening Date, Master Franchisee must meet the minimum monthly Gross Revenues requirement of \$40,000 (the "Minimum Monthly Revenues"). This means that, beginning with the second year after the Opening Date (i.e., the 13th calendar month after the Opening Date), Master Franchisee must generate not less than \$40,000 in monthly Gross Revenues on an annual basis. Within two years after the Opening Date, Master Franchisee must meet the minimum monthly Gross Revenues requirement of \$80,000. This means that, beginning with the third year after the Opening Date (i.e., the 25th calendar month after the Opening Date), Master Franchisee must generate not less than \$80,000 in monthly Gross Revenues on an annual basis. In addition to generating

the Minimum Monthly Revenues, Master Franchisee's monthly Gross Revenues must increase each year beginning with the third year after the Opening Date, all as a condition to the continuation of Master Franchisee's master franchise.

If the Master Franchisee does not meet this minimum growth obligation, then SBS, at its sole discretion, has right to require either or both of the following options:

(a) SBS may require Master Franchisee and its key employees, to attend remedial training at SBS' principal place of business or other location selected by SBS, at Master Franchisee's sole expense; and/or,

(b) SBS may cancel the exclusivity right granted to Master Franchisee in Section II above to market and sell unit franchises and acquire accounts, and SBS may thereafter acquire contracts and accounts, sell additional Master Franchises as well as Unit Franchises within the Territory (who may then directly compete with the Master Franchisee).

B. Minimum Number of Unit Franchises – Beginning on the first day of the third year following the Effective Date, and at all times thereafter, Master Franchisee must (i) have at least thirty-six (36) operating and active (i.e. not in default) Unit Franchises, (ii) continue to maintain an updated and valid FDD, and (iii) continue to actively offer and sell new Unit Franchises each year, as SBS may determine in its sole discretion. Meeting each obligation in this Section V.B is a condition to the continuation of Master Franchisee's rights under this Agreement. Master Franchisee's failure to meet any of these requirements will constitute a material breach of this Agreement.

VI. UNIFORM METHODS, RULES & BRAND STANDARDS MANUALS

A. Absentee Owner Prohibited – Master Franchisee (directly or through its Regional Director) agrees to devote sufficient time and effort to its Master Franchise business to comply with all of the terms of this Agreement and those rules of operation instituted by SBS from time to time. Although Master Franchisee is not obligated to devote his full time to the franchise, he must manage the business himself and may not delegate any of his authority or obligations under this Agreement without SBS' prior written consent.

If the franchise is owned by husband and wife, one spouse must be designated as the Regional Director and will be personally responsible for the day-to-day management of the franchise and compliance with the terms of this Agreement.

If the franchise is owned by a partnership, the partnership must designate one of the general partners as the Regional Director who will be personally responsible for the day-to-day management of the franchise and compliance with the terms of this Agreement.

If the franchise is owned by an entity (i.e. a limited liability company or corporation) then the majority Owner must be designated as the Regional Director, and he/she will be personally responsible for the day-to-day management of the Master Franchise and compliance with the terms of this Agreement.

If the entity's stock unit ownership is divided so that no one person owns more than fifty percent (50%) of the outstanding stock/units, then the stockholders/owners must designate one of the two (2) largest stockholders/owners as the Regional Director. If one hundred percent (100%) of the corporation's stock is owned by husband and wife, then one spouse must be designated as the Regional Director and will be personally responsible for the day-to-day management of the franchise and compliance with the terms of

this Agreement. For purposes of this Section stock or unit ownership is determined by counting only shares or units with voting rights.

The Regional Director must manage the business himself/herself and may not delegate any of his/her authority or obligations under this Agreement without SBS' prior written consent.

The Master Franchisee or the Regional Director, as the case may be, must permanently reside within the Territory at all times.

B. Review of Regional Director – If SBS, after using standards and procedures applied on a uniform basis throughout the system, finds that a Regional Director is not properly performing his or her duties, SBS will advise the Master Franchisee in writing and the Master Franchisee must immediately take corrective steps to remedy the situation. If the Master Franchisee does not correct the situation, then SBS may require the Master Franchisee to replace the Regional Director within 30 days of written notice to Master Franchisee. Within 30 days of the Regional Director's termination, the Master Franchisee must appoint a successor and that person must attend the next available SBS training session.

C. Uniform Methods – Master Franchisee promises to strictly adhere to the uniform methods, practice and operation for SBS Master Franchises. For the mutual benefit of SBS and all Master Franchisees, and to protect the quality, goodwill and public acceptance of the Stratus Building Solutions Marks and System, the Master Franchisee specifically promises and agrees that he will:

1. Use his best efforts to promote the success of his SBS Master Franchise;
2. Accept and follow all reasonable rules, procedures and standards made and adopted by SBS in the organization and operation of his SBS Master Franchise as may from time to time be contained in manuals published by SBS;
3. Keep and maintain his franchise business premises in a high degree of cleanliness and sanitation;
4. Prohibit any of his personnel wearing any uniform or item of clothing that indicates or represents an affiliation with any other janitorial or cleaning services or company, or such references or artwork that would bring discredit to Stratus Building Solutions, its affiliates, or Trademark Owner; and
5. Refrain from, and ensure his personnel refrain from engaging in any deceptive or unfair trade practice or any other sales, recruiting, advertising or other practices that are unethical or unprofessional, or that may harm SBS, its franchisees or the goodwill or reputation associated with Master Franchisee, SBS, other Stratus Building Solutions franchisees generally, the Marks or the System. Unethical or unprofessional practices include, but are not limited to: dishonesty in dealing with a customer, Unit Franchisee; submission of a false or fraudulent information to SBS, or the use of profane language, or abusive and threatening behavior or language, directed toward SBS representatives or Stratus Building Solutions customers or Unit Franchisees.

D. Stratus Building Solutions Brand Standards Manuals – SBS has the exclusive right to use and sublicense the Stratus Marks. For the mutual benefit of Master Franchisee and Franchisor to protect the Stratus Marks, and to promote the goodwill associated with the Stratus Marks, and to establish and maintain uniform standards of operation, SBS has developed various manuals (collectively the "Brand Standards Manuals") and Master Franchisee agrees to conduct its Master Franchise in strict accordance with the operational methods and procedures as prescribed in said Brand Standards Manuals and any supplemental

bulletins and notices which may be deemed a part thereof. SBS retains the right to prescribe additions, deletions or revisions in said Brand Standards Manuals which is binding on Master Franchisee agrees to keep and maintain his copy of said Brand Standards Manuals current and to be familiar with the procedures published therein.

Upon receipt of the Brand Standards Manuals the Master Franchisee must acknowledge its receipt promptly in writing to SBS. Master Franchisee will, at all times, treat the Brand Standards Manuals, and any other manuals created for or approved for use in the operation of the franchise business, supplemental materials or bulletins, and the information contained therein, as confidential Proprietary Information, and shall use all reasonable efforts to maintain such Proprietary Information as secret and confidential. Master Franchisee will not, at any time, copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

Master Franchisee agrees that it has no ownership interest in the Brand Standards Manuals or any Proprietary Information. Master Franchisee agrees to return its copy of said manuals and all other data, information and materials received from SBS upon the termination or expiration of this Agreement.

Master Franchisee must, at all times, insure that its copy of the Brand Standards Manuals is kept current and up-to-date, and, if there is any dispute as to the contents of the Brand Standards Manual, the terms of the master copy of the Brand Standards Manuals maintained by SBS at its principal offices is controlling. Master Franchisee agrees that it is bound by said standards and policies upon receipt of same by Master Franchisee.

E. Miscellaneous – Master Franchisee promises to faithfully exert his best efforts to distribute to all Unit Franchisees in his Territory, all materials and information that SBS instructs him to so distribute.

VII. SALE & MANAGEMENT OF UNIT FRANCHISES

A. Right to Market & Sell Unit Franchises – Subject to the terms and conditions of this Agreement, the Master Franchisee:

1. has the right to market and sell Stratus Building Solutions unit franchises (“Unit Franchise(s)”) to independent entities within the Territory; and

2. is solely responsible for the sale, supervision and management of Unit Franchises within the Territory.

B. Obligation to Supervise & Enforce Unit Franchise Agreements

1. Monitor & Enforce Unit Franchise Agreements – Master Franchisee accepts the responsibility for, and agrees to vigilantly monitor its Unit Franchisees and to enforce all of the terms and conditions of Unit Franchise Agreements issued by the Master Franchisee.

2. Supervise & Enforce Stratus Building Solutions Marks – Master Franchisee agrees to supervise and enforce the use of all Stratus Building Solutions Marks by its Unit Franchisees. Failure of Master Franchisee to exercise the proper diligence in enforcing the terms of any unit franchise agreement and to ensure that the trademarks, trade names and service marks are being properly used by Unit Franchisees is a material default in this Agreement.

3. Master Franchisee Bound By Unit Franchise Agreement – Master Franchisee acknowledges that it is also bound by each Unit Franchise Agreement and agrees to faithfully and

conscientiously meet and fulfill all of its obligations and duties under each of its Unit Franchise Agreements.

C. Training & Support of Unit Franchisees

1. Initial Training – Master Franchisee agrees to provide a comprehensive Operational Training Program for each Unit Franchisee, which must include a minimum of fifteen (15) hours of training, assistance and education. The program must begin with an extensive training session of not less than fifteen (15) hours duration, at a location to be established by Master Franchisee, and which must include Stratus Building Solutions methods and procedures for cleaning, and the sale and management of Unit Franchises, using formal instruction, self-study material and practical training. Regarding the training program, Master Franchisee will further support and assist each Unit Franchisee by:

(a) making available to Unit Franchisee applicable confidential manuals, training aids, and any pertinent information concerning Stratus Building Solutions methods and practices.

(b) continuing appropriate assistance and guidance until Unit Franchisee has been offered customers/clients that generate initial gross monthly billings as required by the Unit Franchise Agreement.

(c) having personnel available on an ongoing basis during regular daily business hours to provide technical assistance, consultation and advice on marketing and operations procedures by telephone or in training and support for Unit Franchisee at reasonable rates as established by Stratus Building Solutions procedures.

2. Alert & Educate About Stratus Building Solutions Products – Master Franchisee must consistently alert, inform and educate its Unit Franchisees about the nature, performance and availability of Stratus Building Solutions products, supplies and equipment so as to encourage uniformity throughout its Territory Master Franchise training for Unit Franchisees must include education on the performance, use and ordering process for all Stratus Building Solutions products, supplies and equipment

3. Regular Office Hours & Franchisee Support Required – Master Franchisee must maintain regular daily office hours, provide adequate Unit Franchisee communication and support; and to otherwise maintain and operate its office(s) in a manner that will promote the efficiency and success of its Unit Franchisees.

4. Develop Franchise Plan – Master Franchisee must take into account Unit Franchisees' input regarding service specifics (estimate, cost assessments, and ordering supplies) in developing Franchisees' franchise plans or selecting customer accounts.

5. Support Unit Franchisees' Additional Business Services – Master Franchisee agrees to encourage Unit Franchisees to offer and provide additional business services separate from those offered by the franchised business to generate separate revenue streams (the "Additional Business Services"). Additional Business Services may include, but is not limited to, residential cleaning services, waste removal, snow removal, and recycling services. Unit Franchisees must have the right to offer the Additional Business Services to existing customers that were originally introduced to Unit Franchisees by Master Franchisee and new customers.

D. SBS Actions and Authority

1. SBS Right to Enforce Unit Franchise Agreement – SBS has the right, but not the obligation, at all times and in its sole discretion, to enforce any provision of any Unit Franchise Agreement if the Master Franchisee fails to do so within thirty (30) days of receiving a notice from SBS of the Master Franchisee’s failure to perform.

2. SBS Correction On Customer Satisfaction Failure – All customer services performed by or under the direction of Master Franchisee, or performed by a Unit Franchisee, must be performed in a good and workmanlike manner, to the satisfaction of the customer for whom such services are performed. If Master Franchisee fails to accomplish such customer satisfaction both in the letter and spirit of this Agreement, and customer complaints continue for an unreasonable period of time, or the customer requests transfer or termination of its service contract, or that SBS intervene, then SBS may, without notice, assume responsibility for that customer’s service regardless of any agreement to the contrary, and without obligation to pay any royalty or fees to the Master Franchisee.

3. SBS Enforcement On Termination of Master Franchise Agreement – If this Agreement terminates or expires, SBS may, at SBS’ sole option, immediately succeed, or designate and assign to a replacement master franchisee, the Master Franchisee’s rights to manage and enforce all of the terms and conditions of a Unit Franchise Agreement, without notice to Master Franchisee or the Unit Franchisee. Should SBS succeed to, or designate and assign to a replacement master franchisee, the Master Franchisee’s rights under any Unit Franchise Agreement, then the Master Franchisee’s rights to benefit or receive revenues/royalty fees from the Unit Franchisee will simultaneously terminate. SBS may, but is not required to assume any of the Master Franchisee’s obligations or liabilities to any Unit Franchisee. Should SBS elect not to assume or assign Master Franchisee’s rights to manage and enforce all of the terms and conditions of a Unit Franchise Agreement, Master Franchisee must immediately terminate its Unit Franchisee Agreements.

E. Unit Franchise Documents

1. Unit Franchise Compliance Documents – Master Franchisee must comply with all laws and regulations governing the sale of franchises including, without limitation, the proper and timely delivery of a disclosure document, unit franchise agreement and other related documents (“Unit Franchise Compliance Documents”). If a registration is required in the state where Master Franchisee’s Territory is located, then in addition to applicable federal laws and regulations, the Master Franchisee must file all necessary documents and disclosures with the appropriate state agency(s) prior to selling, advertising or offering for sale any franchise within the Territory.

2. SBS Not Responsible for Preparation of Compliance Documents – SBS is not responsible for preparing or registering any Unit Franchise Compliance Documents or the accuracy of any such documents as distributed or filed for registration. SBS will offer sample documents for compliance, but makes no representation or warranty of those documents’ compliance with federal, state or local laws and regulations, and Master Franchisee acknowledges that it has been urged by SBS to seek the assistance of independent attorneys and counsel to review and complete such documents.

3. SBS Must Approve Form of All Unit Franchise Documents – The form of all disclosure documents must be submitted to, and approved by, SBS prior to use by the Master Franchisee. Similarly, any changes, amendments or revisions to any of the disclosure documents must be approved by SBS prior to use by the Master Franchisee. SBS reserves the right from time to time to review Master Franchisee’s Unit Franchise Documents, and Master Franchisee will provide SBS with copies of all Unit Franchise Documents (including by electronic transmission) upon SBS’ request.

4. Third-Party Beneficiary - All unit franchise agreements must include a provision stating that SBS is a third-party beneficiary of the agreements with rights to assume and enforce them should the Master Franchisee fail to do so.

F. Indemnification – SBS is not liable for any act, omission, debt or other obligation of any Unit Franchisee. Master Franchisee agrees to indemnify, defend and save harmless SBS and Trademark Owner from all damages, fines debts, expenses (including attorney’s fees and court costs), charges, suits, proceedings, claims, demands or actions of whatever kind or nature, by any Unit Franchisee or arising out of any Unit Franchisee’s actions or failure to act.

VIII. TERMS OF TRANSFER (ENCUMBRANCE PROHIBITED)

A. Legal Terms – The legal term for transfer of a license or franchise is “assignment”. The person who transfers a franchise is the “assignor” and the person to whom the franchise is transferred is the “assignee”. This Agreement frequently uses the term “transfer” in place of “assignment” and uses the term “purchaser” in place of “assignee” and the term “seller” or “Master Franchisee” in place of “assignor” (since an assignment is usually a sale). For purposes of this Agreement, the terms “assignment” and “transfer” include any sale or transfer, whether or not for consideration and whether or not the transfer is voluntary, involuntary or by operation of law.

B. Assignment by Franchisor – SBS may, at any time, delegate any of its obligations and transfer or assign any of its rights and privileges under this Agreement.

C. Sub-Franchise or Partial Assignment Prohibited – Master Franchisee may not sub-franchise or otherwise transfer less than all of his rights and privileges acquired under this Agreement (except the grant of Unit Franchises as described herein). If Master Franchisee attempts to make a partial transfer, SBS may terminate this Agreement without notice to the Master Franchisee under Section XVI.

D. Encumbrance by Master Franchisee Prohibited – Master Franchisee may not pledge, encumber, hypothecate or otherwise grant anyone a security interest in any of the rights acquired under this Agreement without SBS’ prior written consent; and Master Franchisee understands that SBS may arbitrarily withhold its consent without cause or justification.

E. Assignment by Master Franchisee – SBS has entered into this Agreement in reliance upon Master Franchisee’s personal skill, character and qualifications (or if the Master Franchisee is an entity, then in reliance on the Master Franchisee’s principal owners/shareholders’ and officers’ qualifications). Therefore, the franchise described in this Agreement may be assigned or transferred only with SBS’ prior written consent.

1. SBS’ First Right to Purchase the Franchise – If Master Franchisee intends to transfer his Stratus Building Solutions master franchise, he must notify SBS in writing (“Sale Notice”), via certified mail, describing all the terms and conditions of the proposed transfer. For thirty (30) days after SBS receives the Sale Notice (Review Period”), it will have the exclusive first right to purchase the franchise on the same terms and conditions described in the Sale Notice. If, during the review period, SBS makes a reasonable request for additional information, the review period will be extended and SBS will have fifteen (15) days from receipt of the additional information to exercise its right to purchase. At the end of the Review Period (including extensions), SBS must notify the Master Franchisee in writing whether it has decided to exercise or waive its right to purchase. If the right to purchase is waived, the notice must describe the conditions SBS will impose on the transfer.

2. Transfer Conditions – If all transfer conditions imposed by SBS are fulfilled, SBS will consent to the assignment. If the Master Franchisee does not complete the proposed assignment within thirty (30) days after SBS consents to the transfer according to the terms in the Sale Notice, the Master Franchisee must re-notify SBS as if he has received a new offer to purchase the franchise. The conditions precedent that SBS may impose on a proposed transfer include, without limitation:

a. The purchaser will be reviewed by SBS as if he had independently applied for a franchise. Therefore, the purchaser must submit a confidential application. If the purchaser is an individual, the application must be completed by him and his spouse. If the purchaser is a partnership, then all partners and their spouses must complete the application. If the purchaser is an entity (i.e. corporation or limited liability company), then all stockholders/owners and their spouses must complete the application. The purchaser must satisfy SBS that he (or the partners or a partnership, or the shareholders/owners of an entity) has the skills, qualifications and economic resources necessary in SBS' sole judgment to operate the franchised business and fulfill his obligations to the selling Master Franchisee.

b. Prior to closing or completion of the transfer, the selling Master Franchisee must document that he has fulfilled all of his obligations to SBS (both under this Agreement and any other agreement Master Franchisee may have with SBS).

c. SBS may require the seller to deposit a sum into an escrow account opened in SBS' name. No money may be disbursed from this account without SBS' prior written authorization. The purpose of this account is to provide for payment of Stratus Building Solutions royalties and fees owed by the seller and for payment of any of seller's disclosed debts. SBS may disburse funds from the escrow account to pay any of seller's creditors and to pay for any fees or royalties seller then owes to SBS. Interest may be earned on the escrow account and paid to the seller when the account is closed.

d. The purchaser must sign a Stratus Building Solutions Master Franchise Agreement in the form and on the terms and condition then being offered to prospective Master Franchisees with similar circumstances (except that no Initial Franchise Fee is required) together with all attachments then required by new Stratus Building Solutions master franchisees. The term of the new Master Franchise Agreement will end on the date this Agreement would have terminated. Except for the Master Franchisee's post-term obligations, this Agreement will terminate when the purchaser signs a new Master Franchise Agreement and all of the conditions described in this Section are fulfilled.

e. The Master Franchisee must pay SBS a transfer fee of ten percent (10%) of the gross sale price, which transfer fee shall not exceed \$75,000.

f. The purchaser must satisfactorily complete the initial training program then required of all new master franchisees unless such training is waived by SBS in writing, because of the purchaser's prior experience or training.

F. Partial Ownership Transfers – If Master Franchisee is a partnership or entity (i.e., a limited liability company or a corporation), then a transfer of stock or ownership interest that effectively transfers fifty percent (50%) or more of the voting control of the Master Franchisee will be considered an assignment and will be subject to the transfer conditions set forth in Section VIII.E.2 hereof. For this purpose, all transfers during the term of this Agreement must be aggregated, and if successive ownership transfers result in a transfer of control, the Master Franchisee will be treated as if it has attempted to assign the entire franchise to a new owner. For the avoidance of doubt, if a transfer of stock or ownership interest, alone

and in combination with any prior transfers of stock or ownership interest, effectively transfers less than fifty percent (50%) of the voting control of the Master Franchisee, then such transfer will not be considered an assignment and will not be subject to the transfer conditions set forth in Section VIII.E.2; provided, however, that any such transfer may only take place with SBS' prior written consent.

G. Transfer Because of Death, Disability or Incapacity – If a Master Franchisee or its principal owner (i.e. its majority shareholder or owner of 51% of the voting ownership) dies, or becomes permanently disabled or legally incapacitated, then a member of his immediate family may receive or acquire his ownership interest in the Master Franchisee if the immediate family member completes the master franchise application process, is accepted as a Stratus Building Solutions master franchisee and fulfills any transfer conditions imposed by SBS. If the Master Franchisee is an entity, then this provision applies to the death or redemption of the controlling owner/shareholder and his/her spouse. If the immediate family member's application is rejected, he/she will have ninety (90) days to find a purchaser. Any subsequently proposed sale or other transfer must be accomplished according to the terms and conditions of Section XIII-F. If the Master Franchisee cannot find a purchaser within ninety (90) days from the date of death, disability or incapacity, SBS will have the exclusive first right to purchase the franchise for its fair market value. During any time the franchise is not being managed because of a Master Franchisee's death, disability or legal incapacity, SBS may appoint a receiver/interim manager to operate the Master Franchisee's business. Master Franchisee and his heirs or legal representative must cooperate with the interim manager's efforts so that its business continues without interruption. The receiver/interim manager will have complete authority to operate the franchise with access to all of Master Franchisee's records. Revenues that the Master Franchisee would otherwise have earned will first be applied to any debt Master Franchisee owes to SBS and the balances, if any, paid to the Master Franchisee.

H. Permanent Disability Defined – For this purpose "Permanent disability" means any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability must be determined by a licensed practicing physician selected by SBS upon examination of the person; or, if the person refuses to submit to an examination, then such person will be automatically deemed permanently disabled as of the date of such refusal.

I. SBS Consent Not Unreasonably Withheld – SBS may not unreasonably withhold its consent to an assignment, transfer or sale of the master franchise whenever the purchaser/transferee meets the present qualifications and standards required of a new master franchise applicant.

IX. RIGHT OF FIRST REFUSAL

If the Master Franchisee receives a bona fide arm's length offer to purchase Master Franchisee's interest in this Agreement or in the business conducted hereunder or Master Franchisee proposes to convert, assign, or otherwise transfer Master Franchisee's interest in this Agreement or in the business conducted hereunder, in whole or in part, to a person other than an entity of which Master Franchisee or its Owners are the sole owners/shareholders. Master Franchisee must first offer to sell said interest to SBS. Master Franchisee must provide SBS, in a written statement verified by Master Franchisee, the terms of the offer received or made by Master Franchisee, and SBS shall have thirty (30) days from the receipt of said statement to either accept or refuse such offer. Written notice to Master Franchisee, of SBS' decision to accept or refuse said offer must be dated by the thirtieth (30th) day. Acceptance by SBS must be at the same price and on the same terms set forth in the written statement submitted by Master Franchisee. IF SBS fails to accept the offer within the thirty (30) day period, Master Franchisee is free to effect the disposition described in the statement upon the exact terms set forth in the statement delivered to SBS, provided that nothing in this Paragraph may be interpreted as limiting the requirements of Section VIII of this Agreement

relating to transfer of rights under this Agreement. Furthermore, if Master Franchisee is insolvent, or upon the filing of any petition by or against Master Franchisee under provisions of any bankruptcy law, SBS has the first right to purchase the business conducted by Master Franchisee, for any amount and pursuant to terms established by an independent appraiser selected by SBS.

X. FISCAL YEAR, ACCOUNTING RECORDS & AUDITS

A. Fiscal Year & Accounting Records – During the term of this Agreement, Master Franchisee must maintain and preserve full, complete and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles, and in accordance with such other Stratus Building Solutions regulations and operation manuals (as may be revised in SBS' sole discretion from time to time). Such books and records must include, but are not limited to, records of fees collected, books of account, ledgers, financial statements, federal state and local tax returns, bank books, duplicate deposit slips and other evidence of business transactions Unit Franchise royalty fees and payments, and other Gross Revenues (collectively the "Financial Records"). Master Franchisee agrees to keep and preserve all of its Financial Records for each fiscal year not less than five (5) years after the close of that fiscal year.

B. Annual Financial Reports – Within 90 days after the close of its fiscal year, Master Franchisee must submit to SBS a complete set of financial statements for that fiscal year (the "Annual Financial Statements"). The Annual Financial Statements must be prepared in accordance with generally accepted accounting principles, by an independent certified public accountant. The Financial Statements must include a balance sheet, income statement, profit and loss statement and such other reports or statements required by SBS from time to time. If the Master Franchisee owns, directly or beneficially, a controlling financial interest in another business, the financial statement required to be submitted must reflect the financial condition of the Master Franchisee and its other operations on a consolidated basis.

C. SBS Records Review or Audit – SBS reserves the right, at any time, without notice to:

1. To review, inspect, audit and make copies of all of Master Franchisee's Financial Records.

2. Conduct an independent audit of the Master Franchisee's Financial Records.

Master Franchisee must make all of its Financial Records available and accessible at the Master Franchisee's principal place of business for any such review or audit, including necessary passwords and other information necessary to access computer software and computer stored files. SBS agrees that any review or audit will not unnecessarily interfere with Master Franchisee's day to day operation of its business.

D. Cost of Review or Audit – Any review or audit must be performed at SBS' cost and expense unless:

1. It is necessitated by the failure of Master Franchisee to provide the timely reports required or requested, or to preserve records by SBS from time to time; or

2. The inspection or audit discloses that a Master Franchisee financial statement or monthly report made by Master Franchisee is in error by more five percent (5%); in which case the Master Franchisee must immediately, and at its sole expense: 1) correct any financial statement or report that is in error, 2) pay SBS any unpaid royalty fees or other past due obligations found in the review or audit, 3) pay any late fees, interest or other penalties imposed by SBS for late payments, 4) file amended tax returns as

may be required by law, and pay all resulting taxes, penalties and interest 5) pay for the cost of the SBS review or audit.

E. Outside Audit – If Master Franchisee should, at any time, cause an audit of Master Franchisee's business to be conducted by an independent CPA, then Master Franchisee must deliver to SBS a copy of such audit report, without cost or expense to SBS.

XI. INDEPENDENT CONTRACTOR STATUS

Unless otherwise specifically provided in this Agreement, all expenses, labor and materials used in the operation of the master franchise established by this Agreement are the sole responsibility of the Master Franchisee. Master Franchisee is not authorized, under any circumstances, to make any contract, agreement, warranty or representation on behalf of SBS or to create any obligation or debt, expressed or implied, in the name of or on behalf of SBS, except the granting of unit franchises strictly in accordance with this Agreement and SBS terms, rules, and regulations as amended from time to time. Similarly, Franchisee may not establish any bank account, or apply for any loan or credit in the name of SBS.

Master Franchisee agrees to operate independently from SBS and is not considered, whether directly or indirectly, ostensible, apparently or otherwise, an employee, agent, joint venturer, shareholder, co-trustee or partner of SBS. Master Franchisee shall be solely responsible for all employment decisions and functions, including without limitation, those related to hiring, firing, establishing remuneration, personnel policies, benefits, disciplining, supervising, and recordkeeping regardless of whether Master Franchisee received advice from SBS on the subjects.

Master Franchisee acknowledges and agrees SBS and Master Franchisee are independent contractors, and that Master Franchisee has day-to-day control over its business activities, and must make operational, strategic and other business decisions, subject to Master Franchisee's compliance with the terms of this Agreement and applicable law. Master Franchisee is an independent contractor in business for itself, and have no right or interest in, or authority over SBS or any of SBS's property or business. Master Franchisee is free to conduct its business as it may deem best in providing the services to its customers and Unit Franchisees, independently of the supervision, management and control of SBS, provided that Master Franchisee agrees to abide by all the terms of this Agreement (including protection of the Marks and compliance with the System Standards) and all federal, state and local laws and regulations of all government agencies having jurisdiction over the customer's premises or the activities conducted by you. You acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the Brand Standards which Master Franchisee is required to comply with under this Agreement do not directly or indirectly constitute, suggest, infer or imply that SBS controls any aspect or element of the day-to-day operations of Master Franchisee's business, which Master Franchisee alone controls, but only constitutes standards to which Master Franchisee must adhere when exercising control of the day-to-day operations of its business.

Except as specifically provided in this Agreement, SBS has no right to control the business or operation of Master Franchisee, to control the expenditure of its funds, approve its unit franchisees or to hire or terminate any of Master Franchisee's employees; it being understood and agreed that so long as Master Franchisee conducts its business in a lawful manner and fully complies with the terms and conditions of this Agreement, that the control and direction of the Master Franchisee's business remains with the Master Franchisee. Master Franchisee shall be solely responsible for all, and SBS shall have no authority to control, either directly or indirectly any, employment decisions and employment functions related to Master Franchisee's business, including, without limitation, those related to hiring, firing, scheduling, establishing remuneration, personnel policies, benefits, disciplining, supervising, and recordkeeping, regardless of whether Master Franchisee received advice from SBS on these subjects.

Master Franchisee shall be responsible for all income and other taxes to all federal, state, municipal and other authorities required to be paid for all persons employed in Master Franchisee's operation (including the owners thereof) including the employer's portion of any social security, unemployment taxes, other payroll taxes, FICA, FUTA, and SECA payments, and any other taxes required to be paid, by deducting such expenses from the pay of all your employees including Master Franchisee's owners. Master Franchisee shall also withhold from employees' pay, and pay when due, taxes and premiums for unemployment and workman's compensation insurance for itself and all of its employees, as required by state, federal or other law.

SBS is not liable for any act, omission, debt or other obligation of Master Franchisee or for any damages to any person or property which directly or indirectly arise from or relate to the operation of Master Franchisee's business. The Master Franchisee agrees to indemnify, defend and save harmless SBS from all damages, fines debts, expenses (including attorney's fees and court costs), charges, suits, proceedings, claims, demands or actions of whatever kind or nature, arising or growing out of or otherwise connected with or related to the Master Franchisee's maintenance and/or operation of the business licensed by this Agreement, including without limitation any claim of Master Franchisee or its Unit Franchisees being characterized as an employee of Master Franchisee or SBS by any Master Franchisee, any Unit Franchisee or by federal, state, or local court or agency.

XII. CONFIDENTIAL INFORMATION AND NON-COMPETITION

A. Consideration For Training & Access to Proprietary Information – Master Franchisee acknowledges that Master Franchisee and its Key Participants will receive valuable Proprietary Information. Master Franchisee understands and acknowledges that this training and access to Proprietary Information is, in part, the consideration for the covenants and restrictions placed on the Master Franchisee and its Key Participants.

B. Non-Competition During Term of Agreement – While this Agreement is in effect the Master Franchisee and its Key Participants may not directly or indirectly,

1. Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of Stratus Building Solutions business or revenue generated by a Stratus Building Solutions Master Franchisee, Stratus Building Solutions Unit Franchisee or the customer or any Master Franchisee or Unit Franchisee.

2. Perform any services for, engage in or acquire, become an employee of, have any financial beneficial or equitable interest in, or have any interest whatsoever in any business which:

(a) performs any type of cleaning and/or maintenance related services, including, but not limited to, commercial, industrial, institutional and residential cleaning services;

(b) is similar to the Stratus Building Solutions' janitorial, cleaning and maintenance system and business described in any of the following: this Agreement, a Stratus Building Solutions Unit Franchise Agreement or the Stratus Building Solutions Brand Standards Manuals, all as amended or revised from time to time; or

(c) sells, leases or distributes supplies and equipment related to any of the above.

3. Perform or contribute to any other act injurious or prejudicial to the goodwill associated with the Stratus Marks or System.

For clarity, Master Franchisee's support of Unit Franchisees' Additional Business Services will not qualify as a violation of any of the above.

C. Non-Competition After Term of Agreement Has Expired – Within the Non-compete Area and for a period of two (2) years immediately following the termination, assignment or other transfer of this Agreement, the Master Franchisee and its Key Participants may not directly or indirectly.

1. Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of Stratus Building Solutions business or revenue, Stratus Building Solutions customer or Stratus Building Solutions unit franchisee.

2. Perform any services for, engage in or acquire, become an employee of, have any financial, beneficial, or equitable interest in, or have any interest whatsoever in any business which:

(a) performs any type of cleaning and/or maintenance related services, including but not limited to, commercial industrial, institutional and residential cleaning services; or

(b) is similar to the Stratus Building Solutions' janitorial, cleaning and maintenance system and business described in any of the following: this Agreement, a Stratus Building Solutions Unit Franchise Agreement or the Stratus Building Solutions Brand Standards Manuals, all as amended or revised from time to time.

(c) sells, leases or distributes supplies and equipment related to any of the above.

3. Perform or contribute to any other act injurious or prejudicial to the goodwill associated with the Stratus Marks or System.

The "Non-Compete Area" means: (1) within one hundred (100) miles of the Master Franchisee's Territory and (2) within one hundred (100) miles of any other Stratus Building Solutions Master Franchisee territory, any Stratus Building Solutions Unit Franchisee or other business which is franchised, owned, operated or managed by or under the direction or auspices of SBS or any of its affiliates which is within one hundred (100) miles of the Master Franchisee's Territory.

For clarity, Master Franchisee's support of Unit Franchisees' Additional Business Services during the term of Unit Franchisees' Franchise Agreements will not qualify as a violation of any of the above.

D. Key Participant Defined – In this Section, the term "Key Participants" includes, without limitation:

1. All owners and their spouses;
2. All directors or others in similar decision-making or fiduciary capacity, regardless of title;
3. All officers and managers (including division managers); and
4. All people with supervisory or management positions.

Master Franchisee is obligated, at all times, to identify and provide SBS with the names of all its Key Participants. Failure to do so is a material breach of this Agreement. SBS has the sole and final authority to determine whether a person has the necessary training or access to Proprietary Information and/or decision-making authority to fall under the definition of a “Key Participant”.

E. Claims Not A Defense – No claim that Master Franchisee may have against SBS, whether or not it arises under this Agreement, may be asserted as a defense to SBS’ enforcement of the provision of this Section.

F. Reasonableness of Restrictions – SBS intends to restrict the activities of Master Franchisee and its Key Participants only to the extent necessary for the protection of SBS’s legitimate business interests. If any of the provisions or restrictions herein are excessively broad as to time, geographical scope, activity or subject, that provision must be limited and construed in a way that makes it enforceable under the applicable law.

G. SBS Remedies For Breach – Master Franchisee acknowledges that a violation of the terms and conditions of this Section will irreparably and continually damage SBS and that money damages may not be adequate (and thus no remedy at law may be available). Consequently, if SBS discovers such a violation or reasonably believes that such a violation is about to occur, then SBS is entitled to both (1) a temporary, preliminary or permanent injunction to prevent the continuing harm to SBS, and (2) money damages insofar as they can be determined. No bond is required for the issuance of a temporary restraining order of preliminary injunction and Master Franchisee expressly waives the imposition of any bond for that purpose. Master Franchisee must pay SBS’ costs (including expert witness fees) and actual attorney fees necessary to pursue any SBS remedy under this Section.

H. SBS Third-Party Beneficiary – Master Franchisee acknowledges that SBS is a third-party beneficiary of every duty, obligation and covenant imposed on the Master Franchisee and its Key Participants in this Section with the independent right to enforce them without notice to the Master Franchisee.

I. Non-Compete Agreements Required – Every Key Participant must execute a Non-Compete Agreement in the form attached as Exhibit A. Failure of the Master Franchisee to procure this Non-Compete Agreement from each Key Participants is a material breach of this Agreement.

XIII. INSURANCE & INDEMNIFICATION

Master Franchisee must purchase and, while this Agreement is in effect maintain, a commercial cleaning services bond and policies of insurance with such minimum standards, coverage’s, and limits as SBS may, from time to time, prescribe in its regulations and Brand Standards Manuals (which may include, without limitation, worker’s compensation, property, bodily injury, automotive coverage (including hired car, and non-ownership vehicles), completed operation and products coverage with an extended property damage endorsement for building services contractors, cyber liability insurance, and employer’s liability). In addition, the Master Franchisee must purchase and maintain such insurance and/or bonds required by any government or government agency. Master Franchisee must provide SBS with proof of coverage at the following times:

1. Prior to the Opening Date, and this Agreement is not in effect until proof of coverage is received by SBS;
2. Annually on the anniversary date of the policy; and

3. At any other time requested by SBS.

Master Franchisee fails or refuses to purchase insurance conforming to the standards, coverage and limits prescribed by SBS, then SBS, through agents and insurance companies of its own choosing, may, but is not required to purchase such insurance as is necessary to meet such standards. The cost of such insurance so purchased by SBS will be at the expense of, and paid by, Master Franchisee. Such insurance as may be obtained by SBS for Master Franchisee may be amended, cancelled, terminated, or modified at any time upon ten (10) days written notice to Master Franchisee.

Nothing contained in this Agreement may be construed or deemed to impose any duty on SBS to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of Master Franchisee, or as an undertaking or representation by SBS that such insurance as may be obtained by Master Franchisee or by SBS for Master Franchisee will insure Master Franchisee against any or all insurable risks of loss that may arise out of or in connection with the operation of the Master Franchisee's business.

Master Franchisee may obtain, on his own behalf and at his own cost and expense, such insurance as Master Franchisee, from time to time, may desire, in addition to that required by SBS.

Each policy of insurance purchased by Master Franchisee must name SBS and Trademark Owner as an additional insured and include a Grantor of Franchise endorsement, and shall provide that SBS shall be given at least ten (10) days prior written notice of its termination, amendment, cancellation or modification. Master Franchisee shall provide SBS with a Certificate of Insurance evidencing the amount, nature and period of coverage no later than ten (10) days after acceptance and signing of this Agreement by SBS, and shall provide current certificates during the entire term of this Agreement or any renewal terms.

Master Franchisee is solely responsible for and agrees to indemnify SBS and Trademark Owner for all loss or damage arising out of or in connection with, the operation of the Master Franchisee's business, and for all claims or demands for damages or injury (including death) to persons or property, including actual attorney fees. In addition, SBS and Trademark Owner may, at their sole option, retain their own counsel to defend any such action or claim and Master Franchisee agrees to promptly reimburse SBS and Trademark Owner for its reasonable attorney fees.

Master Franchisee agrees to require unit franchisees within its Territory, as a condition to granting any unit franchise or license, to carry similar types and amounts of insurance, and if necessary purchase such insurance for the benefit of the unit franchisee, as required by SBS rules and regulations, which may be revised at SBS' sole discretion at anytime

XIV. PROTECTING MATERIALS AND CONFIDENTIAL INFORMATION

A. Confidentiality – Master Franchisee acknowledges it has no ownership interest in the trade secrets, information, ideas, research, methods, manuals, procedures, systems, improvements, and copyrighted and other materials including educational or training materials, fee and Unit Franchise records, and the Brand Standards Manuals, owned or developed by or licensed to SBS, whether or not published, confidential, or suitable for registration or copyright, and the goodwill associated with them. They are provided or revealed to Master Franchisee in trust and confidence. Any and all information, knowledge, and know-how not generally known about the Stratus Building Solutions System and methods, products, services, standards, specifications, procedures and techniques, and such other information or materials as SBS may designate as confidential, shall be deemed confidential and shall be Proprietary Information for purposes of this Agreement.

B. Disclosure Prohibited – Master Franchisee agrees to keep the aforesaid Proprietary Information confidential and to use it only for the purpose and in the manner authorized in writing by SBS. Master Franchisee agrees that during and after the termination of this Agreement for any reason, neither Master Franchisee, nor any of his agents, employees, owners, or representatives shall at any time copy or disclose to any other person or use for any purpose other than the internal operation of its franchised business, any Proprietary Information received from SBS. Master Franchisee agrees to enforce the terms of this provision as to its agents, employees, representatives, and owners. Further, Master Franchisee hereby grants SBS the right, but not the obligation, to enforce this covenant in Master Franchisee's name or SBS' name against any such agent, employee, owner, or representative violating same.

C. This Agreement – Master Franchisee shall keep the content of this Agreement and any attachments or Exhibits hereto, confidential. Master Franchisee shall not publish the contents of this Agreement to any third parties except when required to obtain a lease or bank credit, or to obey a law, governmental agency or court of law.

D. Stratus Building Solutions Materials Exclusive Property of SBS – As between the parties hereto, all Stratus Building Solutions materials, manuals and other Proprietary Information described in this Agreement, at all times remain the exclusive property of SBS. Master Franchisee agrees to use all Proprietary Information in strict confidence and only in connection with the sale or service of Unit Franchises and/or related products pursuant to this Agreement, and only while this Agreement is in effect.

E. Protection of Customer Information – Master Franchisee shall use its best efforts to protect customers against a cyber-event, identity theft, or theft of personal information. You must at all times be in compliance with (a) the Payment Card Industry Data Security Standards ("PCI DSS") (as they may be modified from time to time or as successor standards are adopted), (b) the Fair and Accurate Credit Transactions Act ("FACTA"); (c) regional, national, and local laws and regulations relating to data and personal privacy, data security, security breaches, and electronic payments, (d) the operating rules and regulations of all credit card, debit card and/or ACH processors and networks that are utilized in the Franchised Business, and I security policies and guidelines of SBS, all as may be amended from time to time.

XV. USE & OWNERSHIP OF NAMES & TRADEMARKS

A. Use of Stratus Building Solutions Name Required – Unless otherwise approved by SBS in writing, Master Franchisee must manage, market and conduct its business under the name "Stratus Building Solutions" or Stratus Building Solutions of (City)" or "Stratus of (City)" or such other names(s) that SBS may specify (hereinafter "Franchise Name") as directed by SBS and at SBS' sole discretion. SBS reserves the right, upon reasonable notice, to amend or change the Franchise Name under which the Master Franchisee and all Unit Franchises are to be managed and marketed, and to direct Master Franchisee to assume any such new or amended Franchise Name as a condition to continuation of the Master Franchise.

A Stratus Building Solutions Mark may be used in conjunction with its formal business name, such as "John Doe d/b/a/ Stratus Building Solutions" or "ABC Inc. d/b/a/ Stratus". Master Franchisee may not use as part of a corporate name or other legal name, (i) any other janitorial maintenance, or cleaning services name in conjunction with their formal name, i.e. such as "ABC Custodial", "ABC Maintenance", "ABC Cleaning Services" etc., (ii) a name prefix of "Stratus Building Solutions", "Stratus", "SBS", or any other similarly spelled or sounding prefix, or (iii) any other trademarks, service marks or trade names. All names of the entity operating as Master Franchisee, including corporate names, business names, trade or assumed names, or other legal names must be approved by SBS prior to adoption for use. All use of the Stratus Building Solutions Marks, names, or service marks by Master Franchisee or any Unit Franchisee inure to the benefit of SBS or Trademark Owner, and all such intellectual rights and properties remain the sole

property of SBS or Trademark Owner. All directory listings, advertising, web sites letterhead, or any other visual or printed matter used by Master Franchisee to communicate to anyone must conform to established Stratus standards and procedures and are subject to review and approval by Stratus prior to use and Master Franchisee agrees to submit to SBS, prior to use by Master Franchisee, samples of any and all advertising and promotional plans and materials of any type which contain in any manner any of the trade names, service marks, trademarks, slogans and logos as are now or which in the future may be approved for use by Master Franchisee.

B. Identification & Ownership of Stratus Building Solutions Marks – Master Franchisee understands and acknowledges that the Marks are owned by Trademark Owner; and that Trademark Owner has licensed to SBS the right to use and sublicense the Marks and other intellectual property. Subject to the terms and conditions described below, SBS grants to the Master Franchisee the exclusive right to establish and operate a Stratus Building Solutions Master Franchise in the Territory and a license to use the Marks and Stratus System. Master Franchisee shall use commercially reasonable efforts to identify Trademark Owner as the owner of the Marks in advertising and promotional materials.

Nothing in this Agreement may be construed as an assignment or grant to Master Franchisee of any right, title, or interest in or to any Stratus Building Solutions Marks it being understood that all rights relating thereto are reserved by SBS except as specifically provided in this Agreement. Nothing in this Agreement shall be construed as an assignment, grant, or license to Master Franchisee or any Unit Franchisee of any right, title, or interest in any trade names, trademarks, services marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by this Agreement as licensed to Master Franchisee, which may be developed by SBS for use with other franchise systems for the sale of products or services at any location. Master Franchisee recognizes the great value of the good will associated with the Franchise Name and acknowledges that the Franchise Name and all rights therein and goodwill pertaining thereto belong exclusively to SBS and Trademark Owner. Master Franchisee agrees that every use of the Franchise Name shall inure to the benefit of SBS and Trademark Owner, and that Master Franchisee shall not at any time acquire any rights in the Franchise Name. Master Franchisee agrees that it will not, while this Agreement is in effect or thereafter, attack the title or any rights of SBS or Trademark Owner in and to the Franchise Name or attack the validity of this license for the use of the Franchise Name or do anything which would jeopardize or diminish SBS' or Trademark Owner's rights to or the value of the Franchise Name.

C. No Modification of Stratus Building Solutions Marks, Logos or Artwork – Master Franchisee agrees not to alter or modify any Stratus Building Solutions Mark or associated artwork or logo and must submit to Stratus Building Solutions plans, drawings, or samples of any signs, decals, or outdoor advertising and copies of all advertising, brochures, directory listings and other printed matter or any proposed use of any of the Stratus Building Solutions Marks to SBS for review and approval as to their compliance with Stratus Building Solutions standards and policies prior to their use, dissemination or publication. Such approval will not be unreasonably withheld.

D. Non-Ownership of Marks – Master Franchisee acknowledges that it has no right, title or interest in or to any Stratus Building Solutions Marks, except for Master Franchisee's privilege and license during the term hereof to display and use the Marks. Master Franchisee acknowledges that Master Franchisee now asserts no claim and later may assert no claim to any goodwill, reputation, or ownership of the Marks by virtue of Master Franchisee's licensed or franchised use any of them.

As between the parties hereto, every Master Franchisee name or mark that includes any of the Stratus Building Solutions' Marks, whether in whole or in part, is the sole property of SBS. As between the parties, every Master Franchise name regardless of how or where it is used, and whether or not it is used in conjunction with any artwork or logo that is designed or created by the Master Franchisee, is the property

of SBS. Master Franchisee may not register any name or mark that includes any of Stratus Building Solutions Marks, in whole or in part, without SBS' prior written consent, which consent may be withheld in SBS' sole discretion without cause or justification. Every website URL that includes any of Stratus Building Solutions Marks, in whole or in part, must be registered to Trademark Owner at Master Franchisee's expense and must comply with all specifications and standards set forth by SBS for website design and use, and must be approved by SBS.

Master Franchisee may not establish a presence on, or market using, the Internet, any website, Social Media (such as Facebook, LinkedIn, Twitter, Instagram, Snapchat, YouTube, blogs and other online social networks, wikis, forums, content sharing communities, etc.), mobile app, or any other technology platform that may be developed in the future, in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains Internet websites at the uniform resource locators www.StratusBuildingSolutions.com and www.StratusClean.com that each provide information about the System and the products and services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at these aforementioned websites an intranet section or an interior page containing information about the Franchised Business. If Franchisor includes such information, Franchisor has the right to require Master Franchisee to contribute to or prepare some or all of the section or page, at the Master Franchisee's expense, in the manner that Franchisor directs, and to require Master Franchisee to pay reasonable, per page web hosting fees to Franchisor (or a third-party web hosting firm) on a monthly basis. All such information shall be subject to Franchisor's written approval prior to posting. Franchisor retains the sole right to advertise and sell the products and services offered by franchised businesses and use the Marks on the Internet and other technology platforms, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), Social Media pages, banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Master Franchisee may be requested to provide content for such marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies, and requirements. Franchisor retains the sole right to approve any linking to, or other use of, Stratus or Stratus Building Solutions website. If Master Franchisee is permitted to establish a presence on an Internet website or Social Media site, Master Franchisee must comply with Franchisor's guidelines as they may be revised from time-to-time, and such permission may be revoked at any time. As a condition of such permission, Franchisor must be granted continuous administrative access to the account. Master Franchisee acknowledges and agrees that upon the expiration, termination, or non-renewal of this Agreement, any such accounts shall be immediately deleted or assigned to Franchisor as Franchisor directs.

E. Acts in Derogation of the Marks – Master Franchisee agrees that Master Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of SBS or Trademark Owner in connection with the Marks, either during the term of this Agreement or after, and that Master Franchisee shall use the Marks only for the uses and in the manner licensed or franchised or both under, and as provided in, this Agreement.

F. Prohibition Against Disputing Franchisor's Rights – During or after the term of this Agreement, Master Franchisee agrees not to dispute or impugn, in any way, the validity of the Marks, or the rights of SBS or Trademark Owner to them; or the rights of SBS, Trademark Owner, or other Stratus Building Solutions Master Franchisees to use them.

G. Use of Marks –

1. Except as expressly permitted in this Agreement or in the Stratus Building Solutions Brand Standards Manuals, Master Franchisee may not erect or display any signs, or display any

trademarks, logotypes, symbols, or service marks in, upon, or in connection with Master Franchisee's operation without SBS' prior written approval.

2. Master Franchisee may use Stratus Building Solutions' Marks to promote, market and operate its Master Franchise. SBS fully anticipates that Master Franchisee will use Stratus Building Solutions Marks to promote, market and operate the business licensed under this Agreement by using such symbols in marketing and advertising materials, signs, and displays; but such use shall not, in any manner, bring discredit upon Stratus Building Solutions, the System, the Master Franchisee or any Unit Franchisee. Such promotional efforts may not include the use of Stratus Building Solutions Marks on any product or item (such as wearing apparel) offered for sale by Master Franchisee, without SBS' prior written permission, for which a separate royalty may be charged. Any such products which may be associated with Stratus Building Solutions, the Master Franchisee or any Unit Franchisee which are not purchased by or through SBS will be subject to specifications and quality standards as established from time to time by SBS in its sole discretion.

3. Upon the termination of this Agreement for any reason, Master Franchisee agrees to immediately deliver and surrender up to SBS each and all of the Marks and any physical objects bearing or containing any of those Marks. Alternatively, at Master Franchisee's election, Master Franchisee shall obliterate or destroy any service marks or trademarks in Master Franchisee's possession.

H. Non-Use of Trade Name – If Master Franchisee is an entity (e.g. a corporation or limited liability company), its names may not use or include any Stratus Building Solutions Marks or any words or symbols that are confusingly similar to any of them, in whole or in part.

I. Assumed Name Registration – If Master Franchisee is required to do so by any statute or ordinance, Master Franchisee must promptly, upon the execution of this Agreement, file with applicable government agencies or offices a notice of Master Franchisee's intent to conduct Master Franchisee's business under the Stratus Building Solutions Marks. Promptly upon the expiration or termination of this Agreement, regardless of the reason, Master Franchisee must execute and file such documents as may be necessary to revoke or terminate such assumed name registration, and if Master Franchisee fails to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Master Franchisee hereby irrevocably appoints SBS as Master Franchisee's attorney-in-fact to do so for and on behalf of Master Franchisee.

J. Telephone Numbers & Listings – Master Franchisee acknowledges there will be substantial confusion in the mind of the public, if after the expiration or termination of this Agreement, Master Franchisee continues to use the telephone number(s) used by Master Franchisee in conjunction with any business conducted under this Agreement whether or not listed in any telephone directory (including "yellow pages"). Therefore, Master Franchisee agrees to promptly assign its rights to all phone numbers used or listed in conjunction with any business conducted under this Agreement. Immediately after the expiration or termination of this Agreement for any reason whatsoever, Master Franchisee must direct every telephone company or other service provider the Master Franchisee to transfer the telephone number listed for the Master Franchisee in the then-current yellow pages of any telephone directory, to SBS or to such person and at such location as SBS directs. If Master Franchisee fails to promptly so direct the telephone company, Master Franchisee hereby irrevocably appoints SBS as his attorney-in-fact to direct the telephone company to make such transfer.

K. Trademark Changes – From time to time, in the Brand Standards Manuals, SBS may modify its Marks. Master Franchisee shall accept, use and display, as may be applicable, such modified Marks in accordance with the procedures, rules and regulations contained in the Brand Standards Manuals, as though such modifications were specifically set forth in this Agreement.

L. Defense of Mark by SBS – If Master Franchisee receives notice or is informed or learns of any claim, suit or demand against Master Franchisee on account of any alleged infringement, unfair competition, or similar matter relating to Master Franchisee’s use of the marks, Master Franchisee shall promptly notify SBS of such claim, suit or demand. Except as herein expressly provided, upon receiving such notice, SBS shall promptly take such action as it deems necessary to protect and defend Master Franchisee against any such claim by any third party and shall indemnify Master Franchisee against any loss, cost or expense incurred in connection with such claim. Master Franchisee shall not settle or compromise any such claim without the prior written consent of SBS. As between the parties hereto, SBS shall have the right to defend, compromise or settle any such claim at SBS’ sole cost and expense, using attorneys of its own choosing, and Master Franchisee agrees to cooperate fully with SBS in connection with the defense of any such claim. Master Franchisee irrevocably grants authority and power of attorney to SBS to defend or settle all of such claims, demands or suits. Master Franchisee may participate at Master Franchisee’s own expense in such defense or settlement, but SBS’ decision with regard to such defense or settlement shall be final. Notwithstanding the foregoing, SBS shall have no obligation to defend or indemnify Master Franchisee pursuant to this section if the claim suit or demand against Master Franchisee arises out of or relates to Master Franchisee’s use of the Marks in violation of the terms of this Agreement.

M. Prosecution of Infringers – If Master Franchisee receives notice or is informed or learns that any third party, which Master Franchisee believes to be unauthorized to use Stratus Building Solutions’ Marks, is using any of the Marks or any variant of them, Master Franchisee shall promptly notify SBS of the facts relating to such alleged infringing use. Thereupon, SBS or Trademark Owner shall determine whether or not to take any action against such third person on account of such alleged infringement of the Stratus Building Solutions Marks. Master Franchisee shall have no right to make any demand against any such alleged infringer of the Marks or to prosecute any claim of any kind or nature whatsoever against such alleged infringer of the Marks for or on account of such infringement.

XVI. FRANCHISOR OBLIGATIONS & MASTER FRANCHISEE TRAINING

A. SBS covenants and pledges to:

Provide the Master Franchisee, prior to opening, with the new office materials package as outlined in the Stratus Building Solutions Disclosure Document.

Provide a comprehensive Operational Training Program that will include training at the SBS principal business office inclusive of the following described training sessions: the Program will begin with an extensive training session at the SBS principal business office, which will include Stratus Building Solutions methods and procedures for franchising, sale and management of unit franchise sales, and operations using formal instruction, self-study materials and practical training.

Provide ongoing training sessions and master franchise meetings and seminars (annual/regional) from time to time. Master Franchisee understands that attendance at these sessions is mandatory and agrees to attend and be responsible for its travel and lodging cost in connection therewith. If SBS convenes an annual meeting of all Stratus master franchisees (the “Annual Conference”), and Master Franchisee fails to attend such Annual Conference, Franchisor shall have the right, in its sole discretion, to impose a non-attendance fee on Master Franchisee. Currently, this fee is equal to \$2,500 multiplied by the number of Annual Conferences that Master Franchisee has failed to attend during the initial term of this Agreement and/or any Renewal Term but may be adjusted in Franchisor’s sole discretion.

Have personnel available on an ongoing basis during normal business hours to provide technical assistance, consultation, and advice on marketing and operations procedures by telephone and/or computer.

Additional consultation at Master Franchisee's business premises is available upon request at the Master Franchisee's expense.

Advise Master Franchisee on all appropriate facets of the Stratus Building Solutions System, and to keep Master Franchisee advised of all pertinent new developments in the janitorial franchising industry as well as procedures for improved efficiency.

Inform Master Franchisee of promotional materials, sales, and services manuals, and other materials as they are developed that would be relevant to the operation of a Stratus Franchise.

SBS retains the right to assume responsibility for computerized or manual billing and accounting services to business serviced by Master Franchisee or its franchisees, under the following circumstances:

1. If Master Franchisee fails to make prompt or timely payment of any monies owed to SBS as required herein; or
2. If Master Franchisee fails to make prompt and timely payment of any monies owed to any suppliers of goods and services or any creditors, where the amount due and owing is not disputed; or
3. If Master Franchisee fails to comply with terms of any unit franchise agreement to which it is a party and withhold monies due to the unit franchisee, after unit franchisee has made a written request to Master Franchisee; or
4. If SBS has any other reason to believe that Master Franchisee is retaining funds in its possession or control in conflict with the terms of this Agreement or any unit franchise agreement.

In the event any of the above circumstances exist, SBS shall have the right to request in writing that Master Franchisee act within ten (10) days of said request to properly distribute all funds previously collected. If Master Franchisee does not fully comply with SBS' request, SBS may take all necessary steps to ensure that billing of accounts is performed and that each unit Franchisee and SBS receive all monies to which they are entitled. If SBS or its designee does perform any computerized or manual billing and accounting services to business serviced by Master Franchisee or its franchisees, SBS shall, on or before the last working day of each month, disburse to each unit franchisee or to the Master Franchisee all monies due each party, respectively, from actual collections made during the month prior to the month of payment, after first deducting from any monies collected, the costs incurred by SBS to perform said computerized or manual billing and accounting services.

B. Advertising Fund. SBS does not currently have an advertising fund or currently collect monthly advertising and public relations fees, but it reserves the right, in its sole discretion, to reestablish the Stratus Cleaning advertising fund ("Stratus Cleaning Advertising Fund") and require Master Franchisee to contribute an amount equal to the greater of \$150 or one percent (1%) of Gross Revenues per month to the Stratus Cleaning Advertising Fund in accordance with Section IV.B.4 hereof. If reestablished, the Stratus Cleaning Advertising Fund shall be maintained and administered by SBS as follows:

1. SBS shall direct all advertising programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Master Franchisee agrees and acknowledges that the Stratus Cleaning Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System; and that SBS is not obligated, in administering the Stratus Cleaning Advertising Fund, to make expenditures for Master Franchisee or any franchisees which are equivalent or proportionate to Master Franchisee's or any franchisees' contribution, or to ensure that any

particular Master Franchisee benefits directly or from expenditures by the Stratus Cleaning Advertising Fund;

2. The Stratus Cleaning Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which SBS believes will enhance the image of the System, including, among other things, advertising in cleaning trade magazines in order to acquire new accounts and in entrepreneurial-type magazines to assist in the acquisition of unit franchisees, the costs of preparing and conducting radio, cable television, print, and Internet-based advertising campaigns; and other emerging media or promotional tactics; developing, maintaining, and updating any Website(s) on the Internet; direct mail advertising; marketing surveys; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; and providing promotional and other marketing materials and services to the businesses operating under the System;

3. Master Franchisee shall contribute by separate payment to the Stratus Cleaning Advertising Fund in accordance with Section IV.B.4 hereof. All sums paid by Master Franchisee to the Stratus Cleaning Advertising Fund shall be maintained in an account separate from the other monies of SBS and shall not be used to defray any of SBS's expenses, except for such reasonable costs and overhead, if any, as SBS may incur in activities reasonably related to the direction and implementation of the Stratus Cleaning Advertising Fund and advertising programs for franchisees and the System, including, among other things, costs of personnel for creating and implementing advertising, promotional and marketing programs, and a pro rata portion of the salaries of SBS's personnel who spend time on Stratus Cleaning Advertising Fund-related matters. The Stratus Cleaning Advertising Fund and any earnings thereon shall not otherwise inure to the benefit of SBS. SBS may spend, on behalf of the Stratus Cleaning Advertising Fund, in any fiscal year, an amount that is greater or less than the aggregate contribution of all Master Franchisees to the Stratus Cleaning Advertising Fund in that year and the Stratus Cleaning Advertising Fund may borrow from SBS or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Stratus Cleaning Advertising Fund will be used to pay advertising costs before other assets of the Stratus Cleaning Advertising Fund are expended. SBS shall not be obligated to audit the Stratus Cleaning Advertising Fund. SBS has the right to cause the Stratus Cleaning Advertising Fund to be incorporated or operated through a separate entity at such time as SBS deems appropriate and such successor entity will have all of the rights and duties specified herein. SBS shall maintain separate bookkeeping accounts for the Stratus Cleaning Advertising Fund. Master Franchisee acknowledges that SBS is not a fiduciary to Master Franchisee or any franchisees of the monies in the Stratus Cleaning Advertising Fund;

4. It is anticipated that all contributions to and earnings of the Stratus Cleaning Advertising Fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Stratus Cleaning Advertising Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions; and

5. The Stratus Cleaning Advertising Fund shall be of perpetual duration. SBS maintains the right to terminate the Stratus Cleaning Advertising Fund. The Stratus Cleaning Advertising Fund may not be terminated, however, until all monies in the Stratus Cleaning Advertising Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

XVII. DEFAULT AND TERMINATION

A. Termination For Upon Thirty Days' Notice – Except as provided in Section XVII.B. below, Master Franchisee will have thirty (30) calendar days after SBS furnishes a written notice of default to cure any default under this Agreement and to provide SBS with evidence that it has done so. If Master Franchisee has not cured any default within thirty (30) calendar days or any longer period that applicable law may require, SBS will have the right to terminate this Agreement effective immediately. Master Franchisee will be in default of this Agreement for any failure to comply with any of the requirements imposed upon it, its owners or its Key Participants by this Agreement or by SBS' Brand Standards Manual or if Master Franchisee, its owners, or its Key Participants otherwise fail to fulfill the terms of this Agreement in good faith.

B. Termination Upon Material Default – A material default occurs, and SBS therefore has the right to terminate this Agreement effective immediately without opportunity to cure, effective upon notice to Master Franchisee, if any of the following occur:

1. Master Franchisee abandons its Stratus Building Solutions Master Franchise business;
2. Master Franchisee or any Owner is charged, convicted of, or pleads guilty or no contest to a charge relating to any crime or offense directly or indirectly related to the business conducted pursuant to this Agreement;
3. Master Franchisee fails to cure a default under this Agreement which materially impairs the good will associated with the Marks and/or System after the Master Franchisee has received written notice to cure of at least 24 hours in advance thereof;
4. The bankruptcy or insolvency of the Master franchisee;
5. Assignment for the benefit of creditors or similar disposition of the assets of the Master Franchise business;
6. Any act by or conduct of the Master Franchisee which materially impairs the good will associated with the Marks and/or System.
7. Master Franchisee has made or makes any material misrepresentation relating to this Agreement or Master Franchise business or in its application to become a Master Franchisee;
8. Master Franchisee fails, for a period of ten (10) calendar days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of its business (including, without limitation, any law, ordinance, rule or regulation affecting or governing the offer, sale, advertising and promotion of Unit Franchisees or the franchise relationship);
9. Master Franchisee attempts to assign the Master Franchise business or any right or obligation under this Agreement without the previous written consent of SBS;
10. Master Franchisee repeatedly fails to comply with one or more requirements of this Agreement or any other agreement with SBS, whether or not corrected after notice;
11. The Master Franchise business premises are seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over, or foreclosed by a creditor, lienholder

or lessor; or a final judgment against Franchisee remains unsatisfied for thirty (30) calendar days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the licenses granted by this Agreement or upon any property used in the Master Franchise business, and it is not discharged within five (5) calendar days of such levy;

12. SBS makes a determination that continued operation of the Master Business by Master Franchisee will result in an imminent danger to public health or safety;

13. Master Franchisee knowingly conceals revenues; maintain false books or records; falsifies information or otherwise defrauds or makes false representations to SBS; or submits any substantially false report to SBS;

14. Master Franchisee or any of its Key Participants fails to comply with the covenant not to compete during the term of this Agreement or violates the restrictions pertaining to the use of confidential information contained in this Agreement; or

15. Master Franchisee engages in any act or conduct, or fail to engage in any act or conduct, which under this Agreement specifically authorizes us to terminate this Agreement immediately upon notice.

C. Notice Required By Law – If any valid applicable law or regulation of a governmental authority having jurisdiction over this Master Franchise and the parties, limits SBS’ rights of rescission or termination under this Agreement or requires longer notice periods than those set forth above, this Agreement is deemed amended to conform to the minimum notice periods or restrictions upon rescission or termination required by such laws and regulations. SBS is not, however, precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or to its rescission or termination.

XVIII. OBLIGATIONS & RIGHTS UPON TERMINATION

A. Obligations After Termination – When used in this Section the term “termination” (as in “the termination of this Agreement”) means the end of this Agreement regardless of cause or reason, and includes, without limitation, termination, non-renewal and expiration of this Agreement.

Upon termination of this Agreement, whether by reason of default, lapse of time or other cause, Master Franchisee agrees to immediately discontinue the use of all Stratus Building Solutions Marks (singly or in conjunction with any other name, artwork or item) and shall not thereafter operate or do business under any name similarly spelled or sounding in prefix or as a part of any entity name or fictitious name, or in any manner that might tend to give the general public the impression that the Master Franchisee is operating as Stratus Building Solutions franchise or any business similar to an Stratus Building Solutions franchise.

Master Franchisee shall immediately return to SBS and shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of the Stratus Building Solutions Marks or Proprietary Information including, without limitation, all of the following:

1. Any manuals, bulletins, instruction sheets, including all supplements and updates there;
2. All forms, advertising matter, trademarks, devices, insignia, slogans and designs used from time to time in connection with the Master Franchisee’s business; all advertising matter, products, or writing that contain any Stratus Building Solutions trade name, logo, or copyright, as well as any information of a

proprietary nature such as lists and files pertaining to customers/clients and/or to any Unit Franchisee, operational documents and similar information. All such lists, files and the information contained therein shall remain the exclusive property of SBS and shall upon termination immediately be surrendered to SBS, and all use of such information thereafter by anyone other than SBS is prohibited.

3. All telephone numbers used under the names granted for use in this Agreement, or any similar designation that relates to SBS, and whether or not listed in any telephone directory; which the Master Franchisee shall assign to SBS executing all forms required by any telephone service provider for that transfer, and if the Master Franchisee fails to promptly so direct the telephone company, Master Franchisee hereby irrevocably appoints SBS as his attorney-in-fact to direct the telephone company to make such transfer.

4. All files and records, franchise agreements, and any other documents or information related to the operation of the Master Franchise business and its Unit Franchisees, including without limitation, all Unit Franchisee lists, customer/client lists (with contact information, including names, addresses and phone numbers) and copies of all customer/client contracts.

5. All funds held for the benefits of a Unit Franchisee.

6. All keys to buildings, security passes and/or security codes, and any other means of access to a customer's property.

Master Franchisee agrees that the above-named items revert to, and are, the property of SBS. Until Master Franchisee complies with every obligation of this Agreement (including all post-termination responsibilities), and SBS notifies the Master Franchisee that it has fulfilled those obligations this Agreement remains in full force and effect with regard to Master Franchisee's obligations.

B. Outstanding Fees & Monetary Obligations – At termination, Master Franchisee must also pay, in full, all amounts owed to SBS at the date of termination and surrender any and all equipment belonging to SBS.

C. Termination of Unit Franchise Agreements – If this Agreement is terminated, SBS may, at SBS' sole option, immediately succeed, or designate and assign to a replacement master franchisee, the Master Franchisee's rights to manage and enforce all of the terms and conditions of a Unit Franchise Agreement, without notice to Master Franchisee or the Unit Franchisee. Should SBS succeed to the Master Franchisee's rights under any Unit Franchise Agreement, then the Master Franchisee's rights to benefit or receive revenues/royalty fees from the Unit Franchisee will simultaneously terminate. SBS may, but is not required to assume any of the Master Franchisee's obligations or liabilities to any Unit Franchisee. Should SBS elect not to assume or assign Master Franchisee's rights to manage and enforce all of the terms and conditions of a Unit Franchise Agreement, Master Franchisee must immediately terminate its Unit Franchisee Agreements.

D. Liquidated Damages for Non-Compliance – If the Master Franchisee has proclaimed to have terminated or not renewed this Agreement and refused to surrender the items described herein, the parties agree that the Master Franchisee shall pay to SBS Five Hundred Dollars (\$500.00) per day for each day that it has not complied with foregoing paragraph. The parties acknowledge that damages for Master Franchisee's failure to adhere to the foregoing paragraph are difficult to ascertain and therefore agree that this amount shall be payable as liquidated damages and not as a penalty.

E. Attorney-In-Fact – If the Master Franchisee fails or refuses to do so, SBS may execute, in the Master Franchisee's name and on the Master Franchisee's behalf, any and all documents necessary to

cause the discontinuance of Master Franchisee's use of the names, Marks, and Proprietary Information under this Agreement. Master Franchisee hereby irrevocably appoints SBS as Master Franchisee's attorney-in-fact to do so.

F. Continuing Obligation – All of SBS' rights and entitlements under this Agreement survive its termination or expiration, and SBS does not waive or release any rights it has to enforce this Agreement by acknowledging or accepting such termination or expiration. The termination or expiration of this Agreement does not relieve the Master Franchisee from any of its obligations under this Agreement, whether incurred, discovered or vested before or after such termination or expiration. Similarly, the Master Franchisee's obligations under this Agreement survive any termination or expiration.

XIX. DISPUTE RESOLUTION

A. Dispute Resolution by Mediation

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, Franchisor agrees to try to resolve any and all disputes, controversies or claims that may arise between them concerning or related to this Agreement, its performance, and the relationship between Franchisor and Master Franchisee first through mediation, to be held in the city closest to our principal place of business at the time. Except as provided in except for controversies, disputes, or claims related to or based on improper use of the Marks and except as otherwise provided for in Section XIX.H below, either party shall submit such controversy or claim to non-binding mediation before the American Arbitration Association or other mutually agreeable mediator, within twenty (20) days after such dispute, controversy or claim has arisen. Both parties shall execute a confidentiality agreement not to disclose the fact of mediation, its procedures, information discovered or results to anyone other than its professional advisors who shall also agree to maintain such confidentiality reasonably satisfactory to us. Upon submission, the obligation to attend mediation will be binding on both parties, and a condition of mediation is that it shall be held and concluded within thirty (30) days after it has been requested. Each party will bear its own attorney fees and costs with respect to the mediation, except the fees for the mediation will be split equally. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action to interpret or enforce this Agreement. No party shall initiate or participate in any class action litigation claim against any other party bound hereby.

B. Arbitration

1. The parties hereto agree that, except for controversies, disputes, or claims related to or based on improper use of the Marks and except as otherwise provided for in Section XIX.H below, all controversies, disputes, or claims between us and our affiliates, and our and their respective members, officers, managers, agents, and/or employees, and you (and/or your owners, managers, guarantors, affiliates, and/or employees) arising out of or related to:

- (a) this Agreement or any other agreement between you and us;
- (b) our relationship with you;
- (c) the validity of this Agreement or any other agreement between you and us; or
- (d) any Stratus System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. Any questions regarding the arbitrability of any claim is to be determined by the arbitrator and is binding upon the parties. All proceedings will be conducted at a suitable location chosen by the arbitrator in or nearest the city where our principal business address is then located. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

2. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or, except as expressly provided in Subsection XVIII.G below, award any damages against either party.

3. We and you agree that any such dispute, controversy or claim between us must be submitted to arbitration no later than one (1) year after it has arisen, and that if it is not so submitted, we shall both regard it as time-barred under law. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

4. We and you agree that arbitration will be conducted on an individual, not a class- wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective members, officers, managers, agents, and/or employees, and you (and/or your owners, managers, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person.

5. The provisions of this Section XIX are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

6. Limitation of Parties. Franchisor, Master Franchisee and Master Franchisee's principals may only seek damages or any remedy under law or equity for any claim against each other or their successors, assigns or guarantors arising out of or relating to the Agreement or the relationships of the parties. Franchisor and Master Franchisee agree that affiliates, shareholders, members, directors, officers, employees, agents and representatives will not be personally liable or named as a party in any litigation proceeding arising out of or relating to this Agreement or the relationship among the parties.

C. Governing Law and Venue

This Agreement and the franchise are governed by the law of the state in which the master franchise is located, except to the extent this Agreement or any dispute is governed by the Lanham Act or other federal law. In the event of a dispute that cannot be resolved between any of the parties hereto or otherwise arising in connection with this Agreement or the franchise relationship created pursuant to this Agreement, exclusive venue for any action or legal proceeding will be in the federal or state courts situated in the state in which your master franchise is located, and the parties (and their principals) hereby consent irrevocably to the exclusive jurisdiction of such courts.

D. Attorney's Fee and Costs

If Franchisor incurs legal fees or other expenses as a result of any breach by Master Franchisee of its obligations under this Agreement, then Franchisor will be entitled to recover from Master Franchisee the amount of all such legal fees and other expenses. Except as otherwise provided in this section, if either party is required to enforce this Agreement in a judicial or other legal proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting fees, expert witness fees and legal fees.

E. WAIVER OF CERTAIN DAMAGES

THE PARTIES HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, LICENSORS, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER. EACH OF MASTER FRANCHISEE AND PRINCIPALS, IF ANY, AGREE THAT IN THE EVENT OF A DISPUTE, MASTER FRANCHISEE AND EACH PRINCIPAL IS LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.

F. LIMITATIONS OF CLAIMS

ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES WILL BE BARRED UNLESS A PROCEEDING FOR RELIEF IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS.

G. WAIVER OF JURY TRIAL

IN THE EVENT ANY PARTY INITIATES LITIGATION FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES, INCLUDING THOSE THAT INCLUDE OTHER PARTIES OR CLAIMS, ALL PARTIES WAIVE THEIR RIGHT TO A TRIAL BY JURY. THIS WAIVER APPLIES TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH LITIGATION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN MASTER FRANCHISEE AND ITS PRINCIPALS ON THE ONE HAND, AND FRANCHISOR ON THE OTHER HAND.

H. Injunctive Relief. Nothing in this Agreement (including, without limitation, Sections XIX.A and XIX.B above) shall bar our right to obtain injunctive relief from any court of competent jurisdiction against threatened conduct that will cause us loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

I. All provisions of this Section XIX survive termination or expiration of this Agreement.

XX. GENERAL/MISCELLANEOUS

A. Definitions – For convenience and clarity, certain terms used throughout this Agreement have the following definition (which applies whether or not the term is capitalized):

1. “Owner” includes, without limitation, a sole proprietor, partner stockholder and limited liability member or owner, or other person with an ownership interest, whether held directly or for the benefit of another.

2. “Majority Owner” means any person who owns 50% or more of a partnership or owns 50% or more of any entity, i.e. 50% or more of the voting stock or other voting ownership interest or indicia of ownership or control whether owned/held directly or beneficially.

3. “Person” includes any natural person, trust (or trustee), corporation, partnership, limited liability company, or other entity.

B. SBS Right to Inspect – Master Franchisee understands and agrees that SBS may inspect any premises serviced by Master Franchisee or its Unit Franchisees at any time to ensure that the quality of service being performed is in accordance with Stratus Building Solutions standards. The Master Franchisee acknowledges that Stratus Building Solutions systems and methods continue to evolve in order to reflect the changing market and to meet new and changing customer demands, and that accordingly, variations and additions to the System may be required from time to time in order to preserve and enhance the public image of the System and to ensure the continuing operation efficiency of Franchisees generally. Accordingly, the Master Franchisee agrees that SBS may from time to time hereafter or otherwise change the System, including, without limitation, the adoption and use of new or modified trademarks, products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of service and supplies. The Master Franchisee agrees to promptly accept, implement, use and display in the operation of the franchise business all such additions, modifications and changes at its sole cost and expense.

C. SBS Ownership of New Concepts – Master Franchisee agrees that if it, any of its employees or any of its franchisees licensed under this Agreement develop any new concept, process or improvement in the operation or promotion of the Franchised Business, except those concepts developed by Unit Franchisees’ while conducting Additional Business Services, it will promptly notify SBS and provide SBS with all necessary information concerning same, without compensation. Master Franchisee acknowledges that, as between the parties, any such concept, process or improvement is or becomes the property of SBS and SBS may utilize or disclose such information to other franchisees as it determines to be appropriate.

D. Maintain Safe & Clean Workplace – Master Franchisee agrees to maintain a safe and reasonably clean place of business in compliance with all governmental and industry standards and to conduct its business in a manner that would bring goodwill and public approval to itself and Stratus.

E. No Interference With Master Franchisee Prices or Discounts – Nothing in this Agreement may be construed to prevent Master Franchisee from freely setting its own prices and discounts for services and products that it may render or sell.

F. Limitation On Effect of Any Invalid Provision:

1. Should any part of this Agreement for any reason be declared invalid, such decision shall not affect the validity of the remaining portions, which remaining portions shall remain in force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is

hereby declared the intention of the parties hereto that they would have executed the remaining portions of this Agreement without including herein any such part, parts, or portions which may, for any reason, hereafter be declared invalid.

2. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by SBS is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and SBS shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Master Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is comprehended within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by SBS, any portion or portions which a court may hold to be unenforceable in a final decision to which SBS is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

G. Entire Agreement & Modifications Only By Written Agreement – This Agreement is the entire agreement between the parties. Any amendment or modification to this Agreement is invalid unless made in writing and signed by all the parties. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by SBS in the franchise disclosure document that SBS furnished to you.

H. Non-Waiver – No failure of SBS to exercise any power reserved to it in this Agreement or to insist upon compliance by Master Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of SBS' right to demand exact compliance with the terms of this Agreement. Waiver by SBS of any particular default shall not affect or impair SBS' right in respect to any subsequent default of the same or of a different nature, nor shall any delay forbearance or omission of SBS to exercise any power or right arising out of any breach or default by Master Franchisee of any of the terms, provisions or covenants of this Agreement affect or impair SBS' rights, nor shall such constitute a waiver by SBS of any rights hereunder or rights to declare any subsequent breach or default. SBS further reserves any and all right to enforce any rights or remedies that the Master Franchisee may have under any franchise agreement signed with any unit franchisee.

I. Notices – Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including private delivery, courier service, or facsimile), which shall not include electronic communication, such as e-mail, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to SBS:	SBS Franchising, LLC
	10530 Victory Blvd.
	North Hollywood, CA 91606
	Phone: (888) 981-1555
	Attn: Chief Executive Officer

Notices to Master Franchisee: _____

Fax: _____
Attn: _____

J. Heading For Reference Only – The numbers and headings of paragraphs used herein are for convenience only and do not affect the substance of the paragraphs themselves.

K. Master Franchisee certifies and warrants that all Owners and spouses of Owners: (1) are listed in the attached SCHEDULE OF PRINCIPALS; and (2) that all such parties will execute all Notes, or other documents as required by SBS.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have set their hands this _____ day of _____, 20____.

SBS Franchising, LLC:

Master Franchisee:

BY: _____

By: (Signature of Owner, Partner, or Authorized Officer)

TITLE: _____

Print Name

Social Security Number: _____

By: (Signature of Partner, Spouse, or Authorized Officer)

Print Name

Social Security Number: _____

By: (Signature of Partner, Spouse, or Authorized Officer)

Print Name

Social Security Number: _____

COMPLETE IF FOR CORPORATION:

(Corporate Name)

(Title of Authorized Officer)

Federal Tax ID#: _____

ACCEPTED by the Home Office of Franchisor on this _____ day of _____

BY: _____

BY: _____

ITS: _____

(Authorized Officer)

ITS: _____

(Authorized Officer)

**STRATUS BUILDING SOLUTIONS
MASTER FRANCHISE AGREEMENT – EXHIBIT A
NON-COMPETITION AGREEMENT**

I, _____, agree that during my association with SBS Franchising, LLC (“SBS”) and for two (2) years immediately thereafter, and within the Non-Compete Area (defined below) I will not:

1. Divert, solicit, interfere with, misappropriate, take away or attempt to divert or take away any source of Stratus Building Solutions business or revenue, Stratus Building Solutions customer or Stratus Building Solutions unit franchisee.

2. Perform any services for, engage in or acquire, become an employee of, have any financial, beneficial, or equitable interest in, or have any interest whatsoever in any business which:

(a) perform any type of cleaning and/or maintenance related services, including, but not limited to, commercial, industrial, institutional and residential cleaning services; or

(b) is similar to the Stratus Building Solutions’ janitorial, cleaning and maintenance system and business described in any of the following: this Master Franchise Agreement, a Stratus Building Solutions Unit Franchise Agreement or the Stratus Building Solutions Brand Standards Manuals, all as amended or revised from time to time.

(c) sells, leases or distributes supplies and equipment related to any of the above.

3. Perform or contribute to any other act injurious or prejudicial to the goodwill associated with Stratus Building Solutions or its Marks

The “Non-Compete Area” means: (1) within one hundred (100) miles of the Master Franchisee’s Territory and (2) within one hundred (100) miles of any other Stratus Building Solutions Master Franchisee territory, any Stratus Building Solutions Unit Franchisee or other business which is franchised, owned, operated or managed by or under the direction or auspices of SBS or any of its affiliates which is within one hundred (100) miles of the Master Franchisee’s Territory.

For clarity, Master Franchisee’s support of Unit Franchisees’ Additional Business Services during the term of Unit Franchisees’ Franchise Agreements, will not qualify as a violation of any of the above.

I acknowledge that each of my obligations in this Agreement are reasonable and necessary to protect SBS’ legitimate business interests. I understand that breaking any of my promises or obligations will irreparably and continually damage SBS for which money damages may not be adequate.

Consequently, if I violate any of my promises in this Agreement, or SBS has reason to believe that I am about to violate this Agreement, SBS will be entitled to both: (1) a preliminary or permanent injunction to prevent the continuing harm to SBS (and/or any of its Master Franchisees or Unit Franchisees), and (2) money damages insofar as they can be determined. An injunction ordering me to stop any activities that may violate this Agreement will not prevent me from earning a living. I will pay SBS its costs and expenses of enforcing this Agreement, including actual attorney fees, whether or not litigation is actually commenced.

Signature

STRATUS BUILDING SOLUTIONS
MASTER FRANCHISE AGREEMENT – EXHIBIT B
SCHEDULE OF PRINCIPALS

ANY OTHER PERSON NOT LISTED IN THIS AGREEMENT WHO IS A SPOUSE, PARTNER, AN OFFICER, DIRECTOR OR SHAREHOLDER OF MASTER FRANCHISEE:

Name: _____

Address: _____

Social Security Number: _____ Telephone _____

Relationship: _____

Name: _____

Address: _____

Social Security Number: _____ Telephone _____

Relationship: _____

Name: _____

Address: _____

Social Security Number: _____ Telephone _____

Relationship: _____

Name: _____

Address: _____

Social Security Number: _____ Telephone _____

Relationship: _____

EXHIBIT E
LIST OF MASTER FRANCHISEES

State	Phone Numbers	Master Franchisee Contact	Address
CA	(818) 981-1700	Jim Smith (4 Territories)	10530 Victory Blvd. North Hollywood, CA 91606
CA	(707) 658-4405	Chris Wegner Charles Holmstrom	755 Baywood Drive, Suite 235 Petaluma, CA 94954
CA	(916) 945-8448	Chris Wegner	919 Reserve Dr., Suite 123 Roseville, CA 95678
FL	(407) 915-3900	Matt and Amy McCartney	543 Wymore Rd., Suite 103 Maitland, FL 32751
FL	(305) 323-6940	Jennifer Poulos	7700 North Kendall Dr., Suite 507 Miami, FL 33156
FL	(561) 469-8795	Robert McKeown	9100 Belvedere Rd., Suite 106 Royal Palm Beach, FL 33411
FL	(813) 442-1502	Kevin Martinez	4302 Henderson Blvd. Suite 102 Tampa, FL 33629
GA	(770) 672-0318	Gary Graves (2 Territories)	1480 Shiloh Rd. NW Kennesaw, GA 30144
IL	(502) 417-6969	Lee Varon (2 Territories)	100 N. Waukegan Road Lake Bluff, IL 60044
IN	(317) 758-3440	Lee Putman	7753 E. 88th Street Indianapolis, IN 46256
KY	(502) 817-5376	Derrick Riddle Lee Putman	300 Todds Point Road Simpsonville, KY 40067
LA	(504) 308-3460	Michael Seiler	4430 S 1-10 Service Road W., Suite 101 Metairie, LA 70001
MD	(301) 615-0202	Steve Turner (2 Territories)	7869 Belle Point Dr. Greenbelt, MD 20770
MI	(313) 960-4737	Jeff and Angela Kelosky	40950 Woodward Ave., Suite 360 Bloomfield Hills, MI 48304
MI	(989) 574-6359	Craig Nichols Lee Putman	120 54th Street SW Wyoming, MI 49548
MN	(651) 728-4489	Ricardo Bonifaz	442 Hayward Ave. North Oakdale, MN 55128
NV	(702) 338-1866	Darren Robertson Ryan Robertson Cody Millsap	2785 E Desert Inn Rd., Suite 265 Las Vegas, NV 89121
NJ	(973) 204-5997	Donald Gartner	208 Passaic Ave, Suite 4 Fairfield, NJ 07004

State	Phone Numbers	Master Franchisee Contact	Address
NY	(631) 807-5799	Rick Baran	510 Broadhollow Road, Suite 306 Melville, NY 17747
NC	(704) 594-5941	Thomas Henning	10926 S. Tryon Street, Suite G Charlotte, NC 28273
OH	(440) 627-6200	Tim Tilton	7976 Broadview Road Suite 100 Broadview Heights, OH 44147
OH	(513) 260-0804	Mark Stocker	11260 Cornell Park Drive, Suite 708 Cincinnati, OH 45242
OH	(614) 500-4141	Adam Limbach	659 Lakeview Plaza Blvd., Suite J Worthington, OH 43085
OK	(405) 359-2920	Chris and Danny Green (2 Territories)	7700 N. Hudson Ave., Suite 9 Oklahoma City, OK 73116
OR	(503) 468-5274	Joshua Lay (2 Territories)	10373 NE Hancock St., Suite 132 Portland, OR 97220
PA	(215) 272-5536	Robin Bansal	120 Gibraltar Road, Suite 109 Horsham, PA 19044
PA	(412) 314-1900	David Erimias	110 VIP Drive, Suite 203 Wexford, PA 15090
SC	(864) 380-9098	Ralph Sizemore Thomas Henning	104 Corporate Blvd., Suite 410 West Columbia, SC 29169
SC	(864) 380-9098	Ralph Sizemore	420 E Park Avenue, Suite 302 Greenville, SC 29601
TN	(404) 402-8415 (615) 924-5394	David Smith	One Vantage Way, Suite B100 Nashville, TN 37228
TX	(512) 271-4594 (512) 271-4595	Greg Fishman Steven Sherriff	7719 Wood Hollow Drive, Suite 156 Austin, TX 78731
TX	(703) 424-4863	Shaun Butterworth	888 S. Greenville Ave., Suite 304 Richardson, TX 75081
TX	(512) 271-4594	Greg Fishman	2537 S. Gessner, Suite 121 Houston, TX 77063
UT	(801) 440-4636	Shauna Sharpsteen Emily Thomas	5258 South Pinemont Drive, Suite B-280 Salt Lake City, UT 84123
VA	(804) 799-0003	MacGregor Gould	9601 Gayton Road, Suite 100 Richmond, VA 23238
VA	(757) 904-1668	Mike Thompson	5269 Greenwich Road, Suite 200 Virginia Beach, VA 23462
WA	(206) 957-8360	Joshua Lay	14400 Bel-Red Road, Suite 201 Bellevue, WA 98007
WI	(262) 417-7285	Ty Redmond Darrel McNeal	1100 Commerce Dr. Suite 113 Mount Pleasant, WI 53406

LIST OF FORMER MASTER FRANCHISEES

State	Phone Number	Name	Reason for leaving the System
CA	(650) 554-8743	Patrick Doyle	Sold territory back to Franchisor
PA	(267) 337-0249	John and Bonnie Coleman	Sold their franchise and retired

The list above is every franchisee who ceased to do business under a master franchise agreement or had an outlet terminated, canceled, transferred or not renewed within the last fiscal year, or who has not communicated with the franchisor within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F
STATE ADDENDA TO MASTER FRANCHISE AGREEMENT

**ADDENDUM TO THE SBS FRANCHISING, LLC
MASTER FRANCHISE AGREEMENT
FOR ILLINOIS MASTER FRANCHISEES**

This Addendum to the SBS Franchising, LLC a/k/a Stratus Building Solutions Master Franchise Agreement (“Agreement”) dated _____, 20____ between SBS Franchising, LLC (“SBS,” “Stratus,” “Franchisor,” “we,” “us,” or “our”) and _____ (“Master Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Agreement. The Agreement is amended consistent with the following:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation of provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Section XX of the Agreement shall be amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

FRANCHISOR:
SBS FRANCHISING, LLC

MASTER FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**ADDENDUM TO THE SBS FRANCHISING, LLC
MASTER FRANCHISE AGREEMENT
FOR NEW YORK MASTER FRANCHISEES**

This Addendum to the SBS Franchising, LLC Master Franchise Agreement (“Agreement”) dated _____, 20____ between SBS Franchising, LLC (“Franchisor”) and _____ (“Master Franchisee”) is entered into simultaneously with the execution of the Agreement. The Agreement is amended consistent with the following:

1. Section III.B.6 of the Agreement, under the heading “Term & Renewal,” shall be deleted in its entirety, and the following language shall be substituted in lieu thereof:

6. Master Franchisee executes a general release in the form substantially similar to the general release attached to Franchisor’s Franchise Disclosure Document provided to Master Franchisee no less than fourteen (14) calendar days prior to the execution of this Agreement; provided, however, that all rights enjoyed by Master Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force, it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section XX of the Agreement, under the heading “General/Miscellaneous,” shall be supplemented by the addition of the following new Subsection L:

L. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Addendum.

FRANCHISOR:
SBS FRANCHISING, LLC

MASTER FRANCHISEE:

By: _____

By: _____

Print Name: _____

Print name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**ADDENDUM TO THE SBS FRANCHISING, LLC
MASTER FRANCHISE AGREEMENT
FOR OHIO MASTER FRANCHISEES**

In recognition of the requirements of the Ohio Business Opportunity Purchasers Protection Act, Ohio Revised Code §1334.01 et seq., the parties to the attached SBS Franchising, LLC Master Franchise Agreement (“Master Franchise Agreement”) agree as follows:

1. Section XVII of the Master Franchise Agreement, entitled “Default and Termination,” shall be amended by adding the following subsection at the end of the Section:

D. You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this Agreement. See the attached notice of cancellation for an explanation of this right.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Ohio Business Opportunity Purchasers Protection Act, with respect to each such provision, are met independent of the Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

SBS FRANCHISING, LLC

MASTER FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

[Notice of Cancellation form (in duplicate) follows]

Notice of Cancellation

_____, 20____

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this Agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to SBS Franchising, LLC at 10530 Victory Blvd., North Hollywood, CA 91606, or send a fax to SBS Franchising, LLC at _____, or an e-mail to SBS Franchising, LLC at _____, not later than midnight of _____, 20____.

I hereby cancel this transaction.

_____, 20____
(Date)

(Purchaser's signature)

(Print name)

Notice of Cancellation

_____, 20____

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this Agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to SBS Franchising, LLC at 10530 Victory Blvd., North Hollywood, CA 91606, or send a fax to SBS Franchising, LLC at _____, or an e-mail to SBS Franchising, LLC at _____, not later than midnight of _____, 20____.

I hereby cancel this transaction.

_____, 20____
(Date)

(Purchaser's signature)

(Print name)

**ADDENDUM TO THE SBS FRANCHISING, LLC
MASTER FRANCHISE AGREEMENT
FOR VIRGINIA MASTER FRANCHISEES**

This Addendum to the SBS Franchising, LLC Master Franchise Agreement (“Agreement”) dated _____, 20____ between SBS Franchising, LLC (“SBS,” “Franchisor,” “we,” “us,” or “our”) and _____ (“Master Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Agreement. The Agreement is amended consistent with the following:

Section XX of the Agreement shall be amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

FRANCHISOR:
SBS FRANCHISING, LLC

MASTER FRANCHISEE:

By:_____

By:_____

Print Name:_____

Print name:_____

Title:_____

Title:_____

Date:_____

Date:_____

EXHIBIT G
STATE ADDENDA TO DISCLOSURE DOCUMENT

The following states have statutes which may supersede the Master Franchise Agreement in your relationship with SBS including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e, *et seq.*], DELAWARE [Code Section 2552], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 121 1/2 par 1719-1720], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5B], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the provisions of the Master Franchise Agreement in your relationship with SBS including the areas of termination and renewal of your franchise.

The Master Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under current U.S. Bankruptcy Laws.

**ADDENDUM TO THE SBS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR ILLINOIS MASTER FRANCHISEES**

The Disclosure Document is amended consistent with the following:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation of provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Item 17 is amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE SBS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MICHIGAN**

NOTICE REQUIRED BY THE STATE OF MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions are void and unenforceable if contained in any document relating to a franchise:

- (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 terminate a franchise agreement 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 by 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:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) 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 obligation 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.

Any questions regarding this Notice should be directed to the Michigan Department of Attorney General, 670 Law Building, Lansing, Michigan 48913, (517) 373-7117.

**ADDENDUM TO THE SBS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR NEW YORK MASTER FRANCHISEES**

In recognition of the requirements of the New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16, the Franchise Disclosure Document for SBS Franchising, LLC for use in the State of New York shall be amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person 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.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of 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.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a 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.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the Master Franchise Agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Each provision of this Addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Addendum to the Disclosure Document.

**ADDENDUM TO THE SBS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR VIRGINIA FRANCHISEES**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for SBS Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. The following risk factor is added to the “Special Risks to Consider About This Franchise” page:

4. 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.

2. Item 17 of the Disclosure Document shall be amended as follows:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

**ADDENDUM TO THE SBS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR WISCONSIN MASTER FRANCHISEES**

Notwithstanding anything to the contrary set forth in the Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.
2. The following shall apply to Franchise Agreements in the State of Wisconsin:
 - a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 (the “Act”), shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.
 - b. The Act’s requirements, including that in certain circumstances a Franchisee receive ninety (90) days’ notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the provisions of Section XVII of the Franchise Agreement to the extent they may be inconsistent with the Act’s requirements.

EXHIBIT H
FORM OF UNIT FRANCHISE AGREEMENT FORM
(Example for Information Only)

**THIS IS A SAMPLE OF THE UNIT FRANCHISE AGREEMENT THAT
THE MASTER FRANCHISEE WILL OFFER TO ITS UNIT FRANCHISEES.**

**MASTER FRANCHISEE WILL NOT SIGN THIS AGREEMENT,
AND IT IS FOR INFORMATION ONLY.**

**NOTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT
IS INTENDED AS AN OFFER OF A UNIT FRANCHISE.**

EXHIBIT I
GENERAL RELEASE

This General Release is made effective this ____ day of _____, 20____. In consideration for the grant by SBS Franchising, LLC (“SBS”), to the undersigned of certain rights in connection with the operation of a Stratus master franchise and/or the transfer or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit SBS, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement executed by any of the undersigned and SBS (or any subsidiary or affiliate of SBS), any SBS franchise (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and SBS (or any subsidiary or affiliate of SBS), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against SBS (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. In making this voluntary express waiver, the undersigned acknowledges that claims or facts in addition to or different from those which are now known to exist may later be discovered and that it is the undersigned’s intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. Each of the undersigned expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Each of the undersigned hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This General Release is and shall be and remain a full, complete and unconditional general release. This General Release will survive the assignment or termination of any of the franchise agreements or other documents entered into by and between SBS and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws nor is it intended to relieve SBS or any other person, directly or indirectly, from liability imposed by the Maryland Franchise Registration and Disclosure Law. This General Release will be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of law provisions.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this General Release as of the date first above written.

WITNESS: By: _____ Print Name: _____ Date: _____	MASTER FRANCHISEE: Entity name (if any): _____ By: _____ Print Name: _____ Title: _____ Date: _____
WITNESS: By: _____ Print Name: _____ Date: _____	INDIVIDUAL OWNER: By: _____ Print Name: _____ Date: _____
WITNESS: By: _____ Print Name: _____ Date: _____	INDIVIDUAL OWNER: By: _____ Print Name: _____ Date: _____
WITNESS: By: _____ Print Name: _____ Date: _____	INDIVIDUAL OWNER: By: _____ Print Name: _____ Date: _____

EXHIBIT J
RENEWAL ADDENDUM

EXHIBIT K
FRANCHISEE DISCLOSURE QUESTIONNAIRE

You are preparing to enter into a Master Franchise Agreement for the establishment and operation of a SBS Master Franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that SBS Franchising, LLC (herein “SBS”) has not authorized and that may be untrue, inaccurate, or misleading.

A. Please provide the following dates:

- | | | | |
|----|-----------------|---------------------|--|
| 1. | _____
(Date) | _____
(Initials) | The date on which I first received SBS’ Franchise Disclosure Document about the SBS Master Franchise. |
| 2. | _____
(Date) | _____
(Initials) | The date of my first face-to-face meeting with a franchise sales representative of SBS to discuss the possible purchase of a SBS Master Franchise. |
| 3. | _____
(Date) | _____
(Initials) | The date that I signed the contracts and agreements as disclosed in my Franchise Disclosure Document. |
| 4. | _____
(Date) | _____
(Initials) | The earliest date on which I delivered cash, check, or other consideration to SBS in connection with the purchase of a SBS Master Franchise. |

B. Please review each of the following questions carefully and provide honest and complete responses to each question:

1. Have you personally reviewed the Master Franchise Agreement and the SBS Disclosure Document?

Yes ____ No ____

2. Do you understand all of the information contained in the Master Franchise Agreement and the Disclosure Document?

Yes ____ No ____

If “No”, what parts of the Master Franchise Agreement and/or the Disclosure Document do you not understand? (Attach additional pages, if necessary)

3. Have you discussed the benefits and risks of establishing and operating a SBS Master Franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

4. Do you understand that the success or failure of your SBS Master Franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation and other economic and business factors?

Yes _____ No _____

5. Has any employee speaking on behalf of SBS made any statement or promise concerning the revenues, profits, or operating costs of a SBS Master Franchise operated by SBS (or an affiliate) or its Master Franchisees?

Yes _____ No _____

6. Has any employee speaking on behalf of SBS made any statement or promise regarding the total amount of revenue you might achieve or operating profit you might realize from a SBS Master Franchise other than what is specifically described in Item 19 of the Disclosure Document?

Yes _____ No _____

7. Has any employee speaking on behalf of SBS made any statement or promise regarding the costs you may incur in operating a SBS Master Franchise that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

8. Has any employee speaking on behalf of SBS made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance that SBS will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____

9. Do you understand that your initial franchise fee is non-refundable upon entering into a Master Franchise Agreement?

Yes _____ No _____

C. If you have answered “Yes” to any one of questions B.5-B.8, or “No” to question B.9, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below). If you have answered “No” to each of questions B.5-B.8 and “Yes” to question B.9, please leave the following lines blank.

[Signature page follows]

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MASTER FRANCHISE LOCATION:
(City and State)

MASTER FRANCHISE APPLICANT:

Signature: _____

Name: _____

Date: _____

MASTER FRANCHISEE:
(Name and Address)

By: _____

Name: _____

Date: _____

EXHIBIT L
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, Utah, 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
Illinois	
Michigan	
New York	
Virginia	
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.

EXHIBIT M 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 SBS Franchising, 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 requires that we give you the 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 considerations that relates to the franchise relationship.

If SBS Franchising, 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 agency in your state indicated in Exhibit A.

SBS Franchising, LLC authorizes the respective state agencies identified in Exhibit A to receive service of process for it in the particular state.

Date of Issuance: **April 9, 2024**

The franchise seller(s) offering this franchise is/are checked off below:

____ Doug Flaig, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555
____ Rob Lancit, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555
____ Stuart Erskine, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555
____ David Earl, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555

I have received a disclosure document dated **April 9, 2024**, that included the following Exhibits:

- | | |
|--|---------------------------------------|
| A. List of State Administrators | H. Form of Unit Franchise Agreement |
| B. Table of Contents of Brand Standards Manuals | I. Form of General Release |
| C. Financial Statements | J. Form of Renewal Addendum |
| D. Master Franchise Agreement (with attachments) | K. Franchise Disclosure Questionnaire |
| E. List of Master Franchisees | L. State Effective Dates |
| F. State Addenda to Master Franchise Agreement | M. Receipt |
| G. State Addenda to Disclosure Document | |

PROSPECTIVE MASTER FRANCHISEE:

If a business entity:

Name of Business: _____

Signature: _____

Printed Name: _____

Officer Title: _____

Date: _____

If an individual:

Signature: _____

Printed Name: _____

Date: _____

Please return the signed Receipt by signing, dating, and mailing it to SBS Franchising, LLC
at 10530 Victory Blvd., North Hollywood, CA 91606.

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 SBS Franchising, 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 requires that we give you the 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 considerations that relates to the franchise relationship.

If SBS Franchising, 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 agency in your state indicated in Exhibit A.

SBS Franchising, LLC authorizes the respective state agencies identified in Exhibit A to receive service of process for it in the particular state.

Date of Issuance: **April 9, 2024**

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| E. List of Master Franchisees | L. State Effective Dates |
| F. State Addenda to Master Franchise Agreement | M. Receipt |
| G. State Addenda to Disclosure Document | |

PROSPECTIVE MASTER FRANCHISEE:

If a business entity:

Name of Business: _____

Signature: _____

Printed Name: _____

Officer Title: _____

Date: _____

If an individual:

Signature: _____

Printed Name: _____

Date: _____

Please keep a copy of this receipt for your files.