

## UNIFORM FRANCHISE REGISTRATION APPLICATION

File No. 631821  
(Insert file number of  
immediately preceding filing  
of Applicant)

State: Wisconsin

Fee: \$400.00

APPLICATION FOR (Check only one):

- INITIAL REGISTRATION OF AN OFFER AND SALE OF FRANCHISES  
 RENEWAL APPLICATION OR ANNUAL REPORT  
 PRE-EFFECTIVE AMENDMENT  
 POST-EFFECTIVE MATERIAL AMENDMENT

1. Full legal name of Franchisor:  
**SBS Franchising, LLC**
2. Name of the franchise offering:  
**Stratus Building Solutions**
3. Franchisor's principal business address:  
**10530 Victory Blvd., North Hollywood, CA 91606**
4. Name and address of Franchisor's agent in this State authorized to receive service of process:  
**Wisconsin Commissioner of Securities, P.O. Box 1768, 345 W. Washington Avenue, 4th Floor, Madison, WI 53703**
5. The states in which this application is or will be shortly on file:  
**Illinois, Michigan, New York, Virginia, and Wisconsin**
6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

**Keri A. McWilliams**  
**Nixon Peabody LLP**  
**799 Ninth Street NW, Suite 500**  
**Washington, D.C. 20001**  
**Direct Dial: (202) 585-8770**  
**Direct Fax: (855) 505-9076**  
**[franchise@nixonpeabody.com](mailto:franchise@nixonpeabody.com)**

Certification

I certify and swear under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of April 28, 2023 attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Executed at North Hollywood, CA

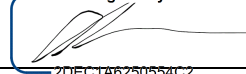
on

4/28/2023

Franchisor:

**SBS Franchising, LLC**

By: \_\_\_\_\_

DocuSigned by:  
  
ZDEC1A6250554C2...

Name: Afshin Cangarlu

Title: Chief Executive Officer

## UNIFORM FRANCHISE CONSENT TO SERVICE OF PROCESS

SBS Franchising, LLC, a limited liability company organized under the laws of Delaware (the “Franchisor”), irrevocably appoints the officers of the States designated below and their successors in those offices, its attorney in those States for service of notice, process or pleading in an action or proceeding against it arising out of or in connection with the sale of franchises, or a violation of the franchise laws of that State, and consents that an action or proceeding against it may be commenced in a court of competent jurisdiction and proper venue within that State by service of process upon this officer with the same effect as if the undersigned was organized or created under the laws of that State and had lawfully been served with process in that State. We have checked below each state in which this application is or will be shortly on file, and provided a duplicate original bearing an original signature to each state.

|  |  |
|--|--|
| <input type="checkbox"/> California: Commissioner of Financial Protection and Innovation | <input type="checkbox"/> North Dakota: Securities Commissioner   |
| <input type="checkbox"/> Hawaii: Commissioner of Securities                              | <input type="checkbox"/> Rhode Island: Director of Business Regulation   |
| <input type="checkbox"/> Illinois: Attorney General                                      | <input type="checkbox"/> South Dakota: Director of the Division of Securities  |
| <input type="checkbox"/> Indiana: Secretary of State                                     | <input type="checkbox"/> Virginia: Clerk, Virginia State Corporation Commission  |
| <input type="checkbox"/> Maryland: Securities Commissioner                               | <input type="checkbox"/> Washington: Director of Financial Institutions  |
| <input type="checkbox"/> Minnesota: Commissioner of Commerce                             | <input checked="" type="checkbox"/> Wisconsin: Administrator, Division of Securities, Department of Financial Institutions |
| <input type="checkbox"/> New York: Secretary of State                                    |  |

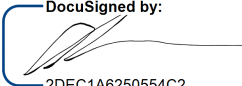
Please mail or send a copy of any notice, process or pleading served under this consent to:

**Keri A. McWilliams**  
**Nixon Peabody LLP**  
**799 9th Street, NW, Suite 500**  
**Washington, D.C. 20001**  
**p (202) 585-8770**  
**f (855) 505-9076**  
**[franchise@nixonpeabody.com](mailto:franchise@nixonpeabody.com)**

Dated: 4/28/2023

Franchisor:

**SBS Franchising, LLC**

By:  2DEC1A6250554C2...

Name: Afshin Cangarlu

Title: Chief Executive Officer

**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 Afshin Cangarlu, 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: **April 28, 2023**

## 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   |
|--|---|
| <b>How much can I earn?</b>  | 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 F. |
| <b>How much will I need to invest?</b>   | 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.  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit C includes financial statements. Review these statements carefully.  |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.  |
| <b>Will my business be the only SBS Master Franchise business in my area?</b>            | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.   |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.  |
| <b>What’s it like to be SBS Master Franchisee?</b>                                       | Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.   |
| <b>What else should I know?</b>  | 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.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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 I 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, Chief Executive Officer**

Afshin Cangarlu is our Chief Executive Officer and has held this position since our inception in January 2015 in North Hollywood, California. Mr. Cangarlu was the Stratus master franchisee in the Los Angeles County territory from May 2008 until January 2017.

### **Doug Flaig, President**

Doug Flaig is our President and has held this position since January 2022, 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. Prior to that, he held several positions, including Regional Director, with Vinculums Services, Inc., in Irvine, California, from September 2011 to April 2017.

### **Stuart Erskine, Chief Operating Officer**

Stuart Erskine is our Chief Operating Officer and has held this position since December 2019. 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 was President of Magnetsigns Supply Inc. from 2004 to 2018, President of EmbroidMe Canada Inc. from 2011 to 2018, and President of Billboard Connection Canada Inc. from 2011 to 2018. He is based in Canmore, Alberta, Canada.

### **Foad Rekabi, Chief Technology Officer**

Foad Rekabi is our Chief Technology Officer and Corporate Secretary and has held these positions since January 2015 in North Hollywood, California. Mr. Rekabi was the Stratus master franchisee in the Los Angeles County territory from January 2009 until January 2017.

### **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.

### **Maureen DiStefano, Vice President of Operations**

Maureen DiStefano is our Vice President of Operations and has held this position since March 2023. Ms. DiStefano was previously the Vice President of Operations for GNC Holdings, LLC, in Pittsburgh, Pennsylvania, from December 2019 to March 2023. She served as Vice President of Magnolia Bakery, in New York, New York, from August 2018 to September 2019. Prior to that, she was Director, Licensing for Starbucks Coffee Company, in Philadelphia, Pennsylvania, from February 2017 to August 2018. She is based in Philadelphia, Pennsylvania.

### **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 Boca Raton, 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 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.

## **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.

*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.

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 good funds or pursuant to financing as described in Item 10 at the time the Master Franchise Agreement is entered into by the parties. The initial franchise fee is fully earned and non-refundable.

## ITEM 6 OTHER FEES

| Type of Fee*                                  | Amount   | Due Date   | Remarks (Note 4)   |
|---|--|--|--|
| <b>Royalty on Contract Services and Sales</b> | 4% / 3.5% / 3% of gross revenues (See Note 1)  | Payable monthly by the 10 <sup>th</sup> 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.   |
| <b>Royalty on Unit Franchise Fees</b>         | 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 <sup>th</sup> 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.  |
| <b>Advertising and Public Relations Fund</b>  | \$150 or 1% per month of gross revenues, whichever is greater  | Payable monthly by the 10 <sup>th</sup> 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.  |
| <b>Transfer Fee</b>                           | 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.   |
| <b>Technology Costs</b>                       | 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, 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 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. |
| <b>Annual Conference</b>                      | The conference is free, but master franchisees must pay for their own travel and lodging.  | Variable   | Attendance is generally mandatory.   |
| <b>Annual Conference Non-Attendance Fee</b>   | \$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.   |
| <b>Customer Appointment</b>                   | \$100 to \$250 per appointment   | Payable monthly  | The term “customer appointment” means contact information for potential customers provided to you to be used in your business-to-business telemarketing sales efforts.   |

| Type of Fee*  | Amount   | Due Date     | Remarks (Note 4)   |
|---|--|--------------|--|
| <b>In-depth Business Consultation after First 12 Months</b> | \$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.                        |
| <b>Late Payment Fee</b>                                     | 5% of delinquent amounts                           | Upon Invoice | See Note 3   |
| <b>Late Reporting Fee</b>                                   | \$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.         |
| <b>Penalty for Non-Compliance</b>                           | \$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. |
| <b>Attorney Fees and Costs</b>                              | 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 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**

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

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. To assist in your purchase of a Master Franchise, SBS may, at its option, finance up to 20% of the initial franchise fee at an interest rate of 10% as described in detail in Item 10.

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.

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:

| <b>Type</b>                      | <b>Minimum Limit</b> |
|----------------------------------|----------------------|
| 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.

Unless an alternative is specifically required and approved by a customer, you and your franchisees may only use Stratus-branded chemicals and cleaning products in 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, 2022, 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 \$5,000 from purchases from our supplier of green cleaning chemicals, Nyco, by Master Franchisees and unit franchisees. In the last fiscal year, these rebates were less than 1% 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, 2022, our master franchisee affiliate, SBS Services Group, had revenues of approximately \$1,826,296 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 \$10,666,230. 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 5% 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 and Attachment A | 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                      | Not Applicable              | 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                  |

|    | Obligation                                | Section in Agreement | Disclosure Document Item |
|----|---|----------------------|--------------------------|
| n. | Insurance                                 | Section XIII         | Items 6 and 8            |
| o. | Advertising                               | Sections VI-B and XV | Items 6 and 11           |
| p. | Indemnification                           | Section XV-L         | Item 6                   |
| q. | Owner's participation/management/staffing | Not Applicable       | Items 11 and 15          |
| r. | Records and reports                       | Section IV           | Item 6                   |
| s. | Inspections and audits                    | Section X-C          | Items 6 and 11           |
| t. | Transfer                                  | Section VIII         | Item 17                  |
| u. | Renewal                                   | Section III          | Item 17                  |
| v. | Post-termination obligations              | Section XVII         | 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

The initial franchise fee must be paid in full at the time you sign the Master Franchise Agreement. To assist in your purchase of a Master Franchise, SBS may, at its sole option, based on various objective and subjective analyses of your creditworthiness, finance up to 20% of the initial franchise fee. If SBS elects this option, you will be required to sign a promissory note with you as maker, substantially in the form attached to this Disclosure Document as Exhibit E.

Typically, the promissory note will obligate you to pay the unpaid principal balance in monthly installments over a three-year period at an interest rate of 12% per annum, or the maximum allowed by law, whichever is lower. If the Master Franchisee is a partnership or entity (i.e., a limited liability company or corporation), then the promissory note must be guaranteed individually by all partners or owners/shareholders. The debt secured by the promissory note may be prepaid with no prepayment penalty. In the event of nonpayment or other default under the promissory note or in the event of a breach of the Master Franchise Agreement, the payment of all principal and interest may be accelerated at SBS' option. In addition, your failure to cure a default under the promissory note within 30 days of receiving written notice of such default from SBS may constitute good cause for termination of the Master Franchise Agreement. If SBS employs an attorney to enforce any of the terms of the promissory note, then you must pay the reasonable costs and attorneys' fees associated with those enforcement efforts.

The terms of the financing do not include any waivers of legal rights by you. The terms of the note do not prevent you from asserting a defense against SBS or any party to whom SBS may assign the note. Financing is offered only for the initial franchise fee and not for any other purpose.

| Item Financed (Source) | Source of Financing (Lender) | Down Payment | Amount Financed   | Term (Years) | APR % (include any finance charges) | Monthly Payment                      | Prepayment Penalty | Security Required? If so, in what collateral? |
|------------------------|------------------------------|--------------|---|--------------|-------------------------------------|--------------------------------------|--------------------|---|
| Franchise Fee          | Us                           | 80%          | 20% of the initial franchise fee, which is dependent on the size of the Territory | 3            | 10%                                 | Depends on the amount being financed | None               | Franchise Assets                              |

Neither SBS nor any agent or affiliate has any practice of selling, assigning, or discounting to a third party, in whole or in part, any note, contract or other instrument signed by you. However, SBS reserves the right to do so in the future.

## 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. (See Section II(G) of the Master Franchise Agreement). 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 2022.

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(C) 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 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. At this time, the cost of the e-mail address and Google products you are required to use is paid by SBS to the applicable vendors as a pass-through of part of the royalty fees (on gross revenues) you are required to pay to us. 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, with all payments being made directly to the vendor. 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.

SBS will not have independent access to your computer data and information. However, 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 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**

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

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 Afshin Cangarlu, Stuart Erskine, Foad Rekabi, and Jim Morrison. Additional information regarding their background and history with SBS is available in Item 2. Mr. Victor Fok, who has been our Director of Learning and Development Director since 2019, is also an instructor. 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.

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 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        |
|--|------------------------|--------------------------|
| <b>STRATUS BUILDING SOLUTIONS</b>  | 3,230,289              | April 17, 2007 (renewed) |
| <b>STRATUS BUILDING SOLUTIONS</b>  | 5,811,443              | July 23, 2019            |
| <b>STRATUS</b>   | 5,296,290<br>5,296,293 | September 26, 2017       |
| <b>STRATUS (&amp; Design)</b><br> | 5,441,491<br>5,441,492 | April 10, 2018           |

| Trademark   | Registration Number | Registration Date  |
|---|---------------------|--------------------|
| <p data-bbox="228 247 740 317"><b>STRATUS BUILDING SOLUTIONS (&amp; Design)</b></p>  | 6,128,579           | August 18, 2020    |
| <b>STRATUS CLEAN</b>  | 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 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  |
|-----------|---|---------------------------------------|--|
| <b>a.</b> | Length of the franchise term            | Section III                           | Term is 15 years.  |
| <b>b.</b> | Renewal or extension of the term        | Section III                           | If you are in good standing you may renew the master franchise.  |
| <b>c.</b> | 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. |
| <b>d.</b> | Termination by you                      | Section XVII                          | Master Franchise Agreement contains no provisions for termination by you. Certain rights may exist under state contract law.   |
| <b>e.</b> | Termination by SBS without cause        | Not Applicable.                       | Not Applicable.  |
| <b>f.</b> | 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.   |
| <b>g.</b> | “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.                                    |

|           | <b>Provision</b>   | <b>Section In Master Franchise Agreement</b> | <b>Summary</b>  |
|-----------|--|--|---|
| <b>h.</b> | “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 convicted of any crime or offense directly related to the business conducted under the Master Franchise Agreement; or 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. |
| <b>i.</b> | 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.  |
| <b>j.</b> | Assignment of contract by SBS  | Section VIII                                 | No restriction on SBS’ right to assign.   |
| <b>k.</b> | “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.  |
| <b>l.</b> | SBS’ approval of transfer by you                                       | Section VIII                                 | SBS has the right to approve all transfers but will not unreasonably withhold approval.   |
| <b>m.</b> | 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.   |
| <b>n.</b> | 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.  |
| <b>o.</b> | SBS’ option to purchase your business                                  | Section VIII                                 | Only if you offer your Master Franchise business for sale; your death or disability.  |
| <b>p.</b> | 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.  |
| <b>q.</b> | 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.  |
| <b>r.</b> | 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.   |
| <b>s.</b> | Modification of agreement  | Section XIX                                  | Only with mutual agreement.   |

|           | <b>Provision</b>             | <b>Section In Master Franchise Agreement</b> | <b>Summary</b>   |
|-----------|------------------------------|--|--|
| <b>t.</b> | Integration/ merger clause   | Section XIX                                  | 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. |
| <b>u.</b> | Dispute resolution mediation | Section XVIII                                | 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.   |
| <b>v.</b> | Choice of Forum              | Section XVII                                 | Litigation must be conducted in the state in which your franchise is located, unless local state law supersedes this provision.  |
| <b>w.</b> | Choice of Law                | Section XVII                                 | 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 G and H, 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.

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**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 four sets of figures and charts below in this Item 19. First, there is a table presenting the annual Gross Revenues of 45 of our master franchise regions for 2020, 46 of our master franchise regions for 2021, and 53 of our master franchise regions for 2022. Second, there is a table presenting average and median annual Gross Revenues figures for 45 of our master franchise regions for 2020, 46 of our master franchise regions for 2021, and 53 of our master franchise regions for 2022. Third, there is a graph illustrating average and median 2022 Gross Revenues for 53 master franchise regions for the calendar year 2022, presented based on years of operation. Finally, there is a graph illustrating average and median 2022 Gross Revenues for 53 master franchise regions for the calendar year 2022, presented based on the financial performance of the master franchise region.

To assist you in reviewing the financial performance representations in this Item 19, “Gross Revenues” represents the actual amount of dollars received by the master franchisee 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 are based on reports pulled from the CRM system utilized by our master franchisees and are 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. Each 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 franchises, and begin locating commercial contracts on behalf of their unit franchises. 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 the tables below (or in the associated calculations) the revenue figures for those master franchises not in operation for at least 24 months as of December 31 of the applicable calendar year, as shown below.

**1. Annual Gross Revenues for 2020, 2021, and 2022**

The first table in this Item 19 below contains historical financial performance information for certain existing master franchisees and regions for calendar years 2020, 2021, and 2022. The regions operated by our affiliate SBS Services Group during 2022 are noted as “Affiliate-Owned.”

The 2020 column in the table below shows historical Gross Revenues for the 2020 calendar year, as reported by the 45 regions that were open for at least 24 months as of December 31, 2020. The 2020 column does not include data for the 7 regions that that were operating as of December 31, 2020 but had not been operating for at least 24 months as of December 31, 2020.

The 2021 column in the table below shows historical Gross Revenues for the 2021 calendar year, as reported by the 46 regions that were open for at least 24 months as of December 31, 2021. The 2021 column does not include data for the 9 regions that were operating as of December 31, 2021, but had not been operating for at least 24 months as of December 31, 2021.

The 2022 column in the table below shows historical Gross Revenues for the 2022 calendar year, as reported by the 53 regions that were open for at least 24 months as of December 31, 2022. The 2022 column does not include data for the 6 regions that were operating as of December 31, 2022, but had not been operating for at least 24 months as of December 31, 2022.

**Annual Gross Revenues of Master Franchisees Regions in Operation for Two Full Years**

| Annual Gross Revenues   |   |                    |                    |                    |
|-------------------------|---|--------------------|--------------------|--------------------|
| Master Franchise Region | Affiliate-Owned (“SSG”) or Franchised (“F”) | 2020 Calendar Year | 2021 Calendar Year | 2022 Calendar Year |
| 1                       | F   | \$9,774,156        | \$11,327,548       | \$13,101,386       |
| 2                       | SSG   | \$6,902,129        | \$6,998,936        | \$8,026,642        |
| 3                       | SSG   | \$6,520,213        | \$7,299,515        | \$7,430,177        |
| 4                       | SSG   | \$5,079,210        | \$5,972,525        | \$7,028,583        |
| 5                       | F   | \$3,895,013        | \$6,533,824        | \$6,943,513        |
| 6                       | F   | \$886,918          | \$5,463,116        | \$6,247,847        |
| 7                       | F   | \$5,571,923        | \$4,827,171        | \$5,607,549        |
| 8                       | F   | \$4,457,048        | \$4,870,863        | \$5,447,756        |
| 9                       | SSG   | \$4,807,456        | \$4,445,267        | \$5,376,356        |
| 10                      | F   | \$1,095,145        | \$3,136,703        | \$4,678,620        |
| 11                      | F   | \$2,651,772        | \$3,165,864        | \$4,089,436        |
| 12                      | F   | \$3,052,646        | \$3,692,473        | \$4,078,832        |
| 13                      | F   | \$2,607,282        | \$3,207,909        | \$3,963,207        |
| 14                      | F   | \$2,694,384        | \$3,129,197        | \$3,847,552        |
| 15                      | F   | \$1,625,246        | \$2,362,813        | \$3,846,907        |
| 16                      | F   | \$3,649,538        | \$3,704,102        | \$3,794,638        |
| 17                      | F   | \$2,050,875        | \$2,645,490        | \$3,792,561        |
| 18                      | F   | \$1,732,565        | \$2,687,383        | \$3,590,075        |
| 19                      | SSG   | \$2,423,118        | \$3,075,722        | \$3,546,632        |
| 20                      | F   | \$3,020,214        | \$3,142,287        | \$3,452,505        |
| 21                      | F   | \$3,157,369        | \$3,207,320        | \$3,169,065        |
| 22                      | F   | \$887,886          | \$1,153,530        | \$2,844,685        |
| 23                      | F   | \$1,833,815        | \$2,084,763        | \$2,650,384        |
| 24                      | F   | \$1,463,540        | \$1,886,916        | \$2,384,398        |
| 25                      | F   |                    |                    | \$2,372,184        |
| 26                      | F   | \$1,249,845        | \$1,883,680        | \$2,320,216        |
| 27                      | F   | \$1,458,852        | \$1,827,521        | \$2,081,450        |
| 28                      | F   |                    |                    | \$1,990,832        |
| 29                      | F   |                    |                    | \$1,988,237        |
| 30                      | F   | \$1,140,257        | \$1,411,519        | \$1,912,227        |
| 31                      | F   | \$862,055          | \$1,366,525        | \$1,883,794        |
| 32                      | SSG   | \$1,760,607        | \$1,832,448        | \$1,876,097        |

| <b>Annual Gross Revenues</b>   |  |                           |                           |                           |
|--------------------------------|--|---------------------------|---------------------------|---------------------------|
| <b>Master Franchise Region</b> | <b>Affiliate-Owned (“SSG”) or Franchised (“F”)</b> | <b>2020 Calendar Year</b> | <b>2021 Calendar Year</b> | <b>2022 Calendar Year</b> |
| 33                             | SSG  | \$1,604,588               | \$1,739,979               | \$1,753,323               |
| 34                             | F  | \$601,027                 | \$1,530,557               | \$1,708,643               |
| 35                             | F  | \$1,351,575               | \$1,626,219               | \$1,698,559               |
| 36                             | SSG  |                           | \$1,403,187               | \$1,633,087               |
| 37                             | F  | \$472,357                 | \$797,330                 | \$1,218,601               |
| 38                             | F  | \$480,474                 | \$783,430                 | \$1,176,703               |
| 39                             | SSG  | \$435,166                 | \$949,263                 | \$975,189                 |
| 40                             | F  | \$7,216,510               | \$750,122                 | \$963,476                 |
| 41                             | SSG  | \$462,017                 | \$704,013                 | \$899,953                 |
| 42                             | F  | \$205,086                 | \$319,465                 | \$879,871                 |
| 43                             | F  | \$311,709                 | \$762,761                 | \$855,221                 |
| 44                             | F  |                           |                           | \$777,054                 |
| 45                             | F  | \$5,728,565               | \$524,127                 | \$646,282                 |
| 46                             | SSG  | \$389,110                 | \$387,426                 | \$622,635                 |
| 47                             | F  | \$256,419                 | \$333,182                 | \$513,234                 |
| 48                             | SSG  | \$578,603                 | \$636,805                 | \$428,542                 |
| 49                             | F  |                           |                           | \$426,941                 |
| 50                             | F  | \$253,633                 | \$207,636                 | \$406,965                 |
| 51                             | F  | \$93,884                  | \$143,546                 | \$282,828                 |
| 52                             | F  |                           |                           | \$225,093                 |
| 53                             | F  |                           |                           | \$200,503                 |

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## 2. Average Annual Gross Revenues for 2020, 2021, and 2022

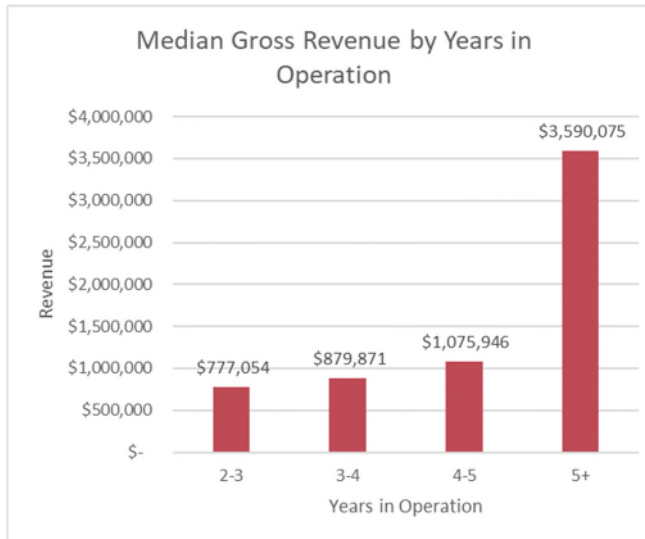
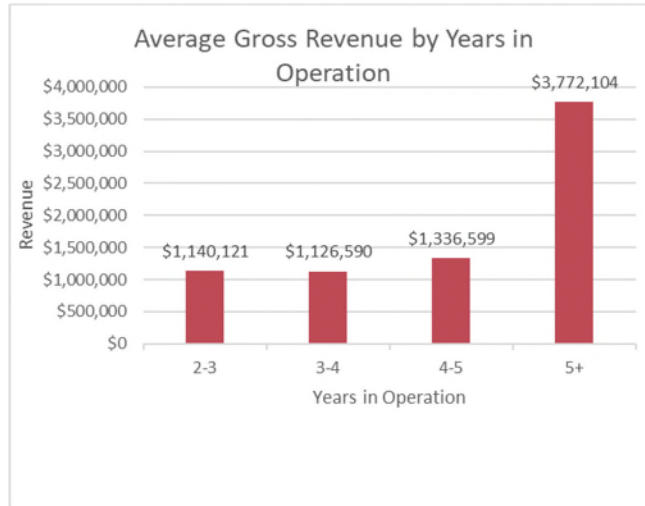
We present below the 2020 average and median annual Gross Revenues for 45 master franchisees listed in the 2020 column of the table above; the 2021 average and median annual Gross Revenues for 46 master franchisees listed in the 2020 column of the table above; and the 2022 average and median annual Gross Revenues for 53 master franchisees listed in the 2022 column of the table above;

|                              | 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 |
|------------------------------|-----------------------------|-------------------------------|---|------------------------------|--|---|--|
| 2020 Franchised Regions      | 36                          | \$2,062,764                   | 12 (33%)  | \$1,477,099                  | 18 (50%)   | \$9,774,156                             | \$93,884                               |
| 2020 Affiliate-Owned Regions | 9                           | \$3,196,272                   | 4 (44%)   | \$2,423,118                  | 5 (56%)  | \$6,902,129                             | \$389,110                              |
| <b>2020 Total Regions</b>    | <b>45</b>                   | <b>\$2,289,465</b>            | <b>17 (38%)</b>                                   | <b>\$1,604,588</b>           | <b>23 (51%)</b>                                  | <b>\$9,774,156</b>                      | <b>\$93,884</b>                        |
| 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                              |
| <b>2021 Total Regions</b>    | <b>46</b>                   | <b>\$2,650,913</b>            | <b>19 (41%)</b>                                   | <b>\$1,885,298</b>           | <b>23 (50%)</b>                                  | <b>\$11,327,548</b>                     | <b>\$143,546</b>                       |
| 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                              |
| <b>2022 Total Regions</b>    | <b>53</b>                   | <b>\$2,899,190</b>            | <b>21 (40%)</b>                                   | <b>\$2,081,450</b>           | <b>27 (51%)</b>                                  | <b>\$13,101,386</b>                     | <b>\$200,503</b>                       |

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### 3. 2022 Average and Median Gross Revenues by Years In Operation

The charts below provide the 2022 average and median annual Gross Revenues for the 53 master franchisees listed in the 2022 column of the table in Section 1, presented based on their years in operation as of December 31, 2022. The data in the graphs is presented in four groups: (a) the 7 master franchisee regions operating for more than 2 years but less than 3 years; (b) the 5 master franchisee regions operating for more than 3 years but less than 4 years; (c) the 6 master franchisee regions operating for more than 4 years but less than 5 years; and (d) the remaining 35 master franchisee regions operating for more than 5 years.



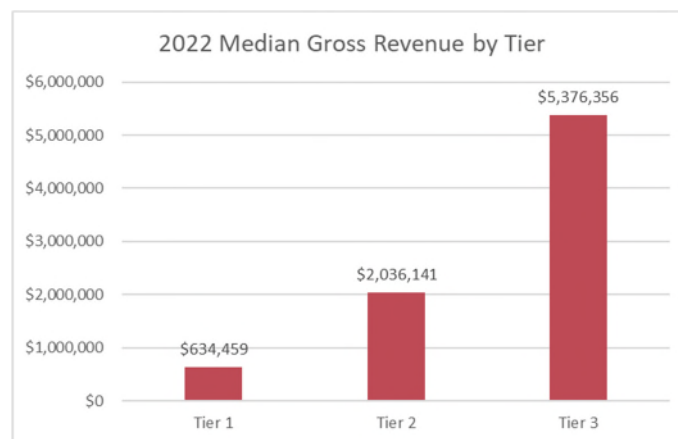
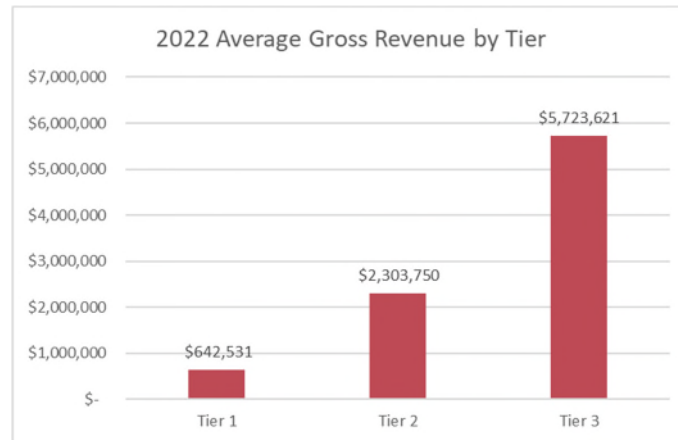
**Summary Table**

| 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                | 7                           | \$1,140,121                   | 3 (43%)   | \$777,054                    | 4 (57%)  | \$2,372,184                             | \$200,503                              |
| 3-4                | 5                           | \$1,126,590                   | 2 (40%)   | \$879,871                    | 3 (60%)  | \$2,844,685                             | \$282,828                              |
| 4-5                | 6                           | \$1,336,599                   | 2 (33%)   | \$1,075,946                  | 3 (50%)  | \$2,650,384                             | \$513,234                              |
| 5+                 | 35                          | \$3,772,104                   | 17 (49%)  | \$3,590,075                  | 18 (51%)   | \$13,101,386                            | \$428,542                              |



#### 4. 2022 Average and Median Gross Revenues by Tier

The charts below provide the 2022 average and median annual Gross Revenues for the 53 master franchisees listed in the 2022 column of the table in Section 1, presented in tiers based on financial performance. Tier 1 or “Start-Up Franchisees” are those that generated average monthly Gross Revenues between \$0 to \$100,000 of Gross Revenues per month; tier 2 or “Emerging Franchisees” are those that generated average monthly Gross Revenues \$100,000 and \$300,000 per month; and Tier 3 or “Established Franchisees” are those that generated average monthly Gross Revenues more than \$300,000 per month. The data in the graph is presented in three groups: (a) 16 Tier 1 master franchisees; (b) 20 Tier 2 master franchisees; and (c) 17 Tier 3 master franchisees.



#### 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 |
|---|-----------------------------|-------------------------------|---|------------------------------|--|---|--|
| <b>Tier 1</b><br><b>\$0-\$100,000</b><br><b>monthly</b>         | 16                          | \$642,531                     | 8 (50%)   | \$634,459                    | 8 (50%)  | \$1,176,703                             | \$200,503                              |
| <b>Tier 2</b><br><b>\$100,000 - \$300,000</b><br><b>monthly</b> | 20                          | \$2,303,750                   | 9 (45%)   | \$2,036,141                  | 10 (50%)   | \$3,590,075                             | \$1,218,601                            |
| <b>Tier 3</b><br><b>\$300,000+</b><br><b>monthly</b>            | 17                          | \$5,723,621                   | 6 (35%)   | \$5,376,356                  | 9 (53%)  | \$13,101,386                            | \$3,792,561                            |

**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, Afshin Cangarlu, 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 2020 to 2022**

| <b>Outlet Type</b>    | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|-----------------------|-------------|---|---------------------------------------|-------------------|
| <b>Franchised</b>     | 2020        | 39                                      | 44                                    | +5                |
|                       | 2021        | 44                                      | 45                                    | +1                |
|                       | 2022        | 45                                      | 45                                    | 0                 |
| <b>Company-Owned*</b> | 2020        | 8                                       | 8                                     | 0                 |
|                       | 2021        | 8                                       | 11                                    | +3                |
|                       | 2022        | 11                                      | 13                                    | +2                |
| <b>Total Outlets</b>  | <b>2020</b> | <b>47</b>                               | <b>52</b>                             | <b>+5</b>         |
|                       | <b>2021</b> | <b>52</b>                               | <b>56</b>                             | <b>+4</b>         |
|                       | <b>2022</b> | <b>56</b>                               | <b>58</b>                             | <b>+2</b>         |

\* 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 2020 to 2022**

| State               | Year        | Number of Transfers |
|---------------------|-------------|---------------------|
| <b>Florida</b>      | 2020        | 0                   |
|                     | 2021        | 1                   |
|                     | 2022        | 0                   |
| <b>Maryland</b>     | 2020        | 1                   |
|                     | 2021        | 0                   |
|                     | 2022        | 0                   |
| <b>Michigan</b>     | 2020        | 1                   |
|                     | 2021        | 0                   |
|                     | 2022        | 0                   |
| <b>Pennsylvania</b> | 2020        | 1                   |
|                     | 2021        | 0                   |
|                     | 2022        | 0                   |
| <b>TOTALS</b>       | <b>2020</b> | <b>3</b>            |
|                     | <b>2021</b> | <b>1</b>            |
|                     | <b>2022</b> | <b>0</b>            |

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**Table No. 3**  
**Status of Master Franchisee-Owned Outlets**  
**For Years 2020 to 2022**

| <b>State</b>      | <b>Year</b> | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Master Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
|-------------------|-------------|---------------------------------|-----------------------|---------------------|---------------------|--|--|-----------------------------------|
| <b>California</b> | 2020        | 6                               | 0                     | 0                   | 0                   | 0                                      | 0  | 6                                 |
|                   | 2021        | 6                               | 0                     | 0                   | 0                   | 0                                      | 0  | 6                                 |
|                   | 2022        | 6                               | 0                     | 0                   | 0                   | 0                                      | 0  | 6                                 |
| <b>Colorado</b>   | 2020        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2021        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 1                               | 0                     | 0                   | 0                   | 1                                      | 0  | 0                                 |
| <b>Florida</b>    | 2020        | 3                               | 1                     | 0                   | 0                   | 0                                      | 0  | 4                                 |
|                   | 2021        | 4                               | 0                     | 0                   | 0                   | 0                                      | 0  | 4                                 |
|                   | 2022        | 4                               | 0                     | 0                   | 0                   | 0                                      | 0  | 4                                 |
| <b>Georgia</b>    | 2020        | 1                               | 1                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2021        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2022        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
| <b>Illinois</b>   | 2020        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2021        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 1                               | 1                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
| <b>Indiana</b>    | 2020        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2021        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
| <b>Kentucky</b>   | 2020        | 0                               | 0                     | 0                   | 0                   | 0                                      | 0  | 0                                 |
|                   | 2021        | 0                               | 1                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
| <b>Louisiana</b>  | 2020        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2021        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
| <b>Maryland</b>   | 2020        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2021        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2022        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
| <b>Michigan</b>   | 2020        | 1                               | 1                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2021        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
|                   | 2022        | 2                               | 0                     | 0                   | 0                   | 0                                      | 0  | 2                                 |
| <b>Minnesota</b>  | 2020        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2021        | 1                               | 0                     | 0                   | 0                   | 0                                      | 0  | 1                                 |
|                   | 2022        | 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         | 2020 | 0                        | 1              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| New Jersey     | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| New York       | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| North Carolina | 2020 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|                | 2021 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|                | 2022 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
| Ohio           | 2020 | 3                        | 1              | 0            | 0            | 0                               | 0                                 | 4                          |
|                | 2021 | 4                        | 0              | 0            | 0            | 0                               | 0                                 | 4                          |
|                | 2022 | 4                        | 0              | 0            | 0            | 0                               | 0                                 | 4                          |
| Oklahoma       | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| Oregon         | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 1              | 0            | 0            | 0                               | 0                                 | 2                          |
| Pennsylvania   | 2020 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|                | 2021 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|                | 2022 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
| South Carolina | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 1              | 0            | 0            | 0                               | 0                                 | 2                          |
|                | 2022 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
| Tennessee      | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| Texas          | 2020 | 4                        | 0              | 0            | 0            | 0                               | 0                                 | 4                          |
|                | 2021 | 4                        | 0              | 0            | 0            | 1                               | 0                                 | 3                          |
|                | 2022 | 3                        | 0              | 0            | 0            | 0                               | 0                                 | 3                          |
| Utah           | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|                | 2022 | 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   | 2020 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|            | 2021 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
|            | 2022 | 2                        | 0              | 0            | 0            | 0                               | 0                                 | 2                          |
| Washington | 2020 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|            | 2021 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
|            | 2022 | 1                        | 0              | 0            | 0            | 0                               | 0                                 | 1                          |
| TOTALS     | 2020 | 39                       | 5              | 0            | 0            | 0                               | 0                                 | 44                         |
|            | 2021 | 44                       | 2              | 0            | 0            | 1                               | 0                                 | 45                         |
|            | 2022 | 45                       | 2              | 0            | 0            | 2                               | 0                                 | 45                         |

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022**

| 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    | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| California | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Colorado   | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2021 | 1                        | 1              | 0   | 0              | 0                                 | 2                          |
|            | 2022 | 2                        | 0              | 1   | 0              | 0                                 | 3                          |
| Delaware   | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Florida    | 2020 | 0                        | 0              | 0   | 0              | 0                                 | 0                          |
|            | 2021 | 0                        | 1              | 0   | 0              | 0                                 | 1                          |
|            | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Hawaii     | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|            | 2022 | 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 |
|----------|------|--------------------------|----------------|---|----------------|-----------------------------------|----------------------------|
| Iowa     | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Kansas   | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Nebraska | 2020 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2021 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
|          | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| Ohio     | 2020 | 0                        | 0              | 0   | 0              | 0                                 | 0                          |
|          | 2021 | 0                        | 0              | 0   | 0              | 0                                 | 0                          |
|          | 2022 | 0                        | 0              | 1   | 0              | 0                                 | 1                          |
| Texas    | 2020 | 0                        | 0              | 0   | 0              | 0                                 | 0                          |
|          | 2021 | 0                        | 0              | 1   | 0              | 0                                 | 1                          |
|          | 2022 | 1                        | 0              | 0   | 0              | 0                                 | 1                          |
| TOTALS   | 2020 | 8                        | 0              | 0   | 0              | 0                                 | 8                          |
|          | 2021 | 8                        | 2              | 1   | 0              | 0                                 | 11                         |
|          | 2022 | 11                       | 0              | 2   | 0              | 0                                 | 13                         |

**Table No. 5**  
**Projected Openings as of December 31, 2022**

| 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        | 0  | 2   | 0   |
| Illinois       | 0  | 2   | 0   |
| New Mexico     | 0  | 1   | 0   |
| North Carolina | 0  | 1   | 0   |
| Oklahoma       | 1  | 0   | 0   |
| Tennessee      | 0  | 1   | 0   |
| Wisconsin      | 0  | 1   | 0   |
| <b>Totals</b>  | <b>1</b>   | <b>9</b>  | <b>0</b>  |

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 F 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 2020, 2021, and 2022.

## **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 I); General Release (Exhibit J); and Renewal Addendum (Exhibit K).

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

**EXHIBIT B**  
**TABLE OF CONTENTS OF BRAND STANDARDS MANUAL**

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

**Total number of pages: 467**

**EXHIBIT C**  
**FINANCIAL STATEMENTS**



## Consolidated Financial Statements

### SBS Franchising LLC

(Expressed in US dollars)

December 31, 2022 and 2021

## Contents

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| Balance Sheets                           | 3           |
| Statements of Income                     | 4           |
| Statements of Changes in Member's Equity | 5           |
| Statements of Cash Flows                 | 6           |
| Notes to the Financial Statements        | 7 - 13      |

## 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 | <u>5,577,861</u> | <u>1,149,411</u> |
|----------------------|------------------|------------------|

|                                 |         |           |
|---------------------------------|---------|-----------|
| Intangible assets (note 8)      | 859,399 | 2,913,981 |
| Franchise assets                | 640,986 | 606,068   |
| Master franchise fee receivable | 15,604  | 149,374   |

|                     |                            |                            |
|---------------------|----------------------------|----------------------------|
| <b>Total assets</b> | <b><u>\$ 7,093,850</u></b> | <b><u>\$ 4,818,834</u></b> |
|---------------------|----------------------------|----------------------------|

#### 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 | <u>1,045,568</u> | <u>987,080</u> |
|---------------------------|------------------|----------------|

|                                |           |           |
|--------------------------------|-----------|-----------|
| Franchise contract liabilities | 3,976,984 | 3,651,985 |
| Notes payable                  | -         | 2,100,000 |

|                   |                  |                  |
|-------------------|------------------|------------------|
| Total liabilities | <u>5,022,552</u> | <u>6,739,065</u> |
|-------------------|------------------|------------------|

##### 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) |
|-----------------------|-----------|-------------|

|  |                            |                            |
|--|----------------------------|----------------------------|
| <b>Total liabilities and members' equity</b> | <b><u>\$ 7,093,850</u></b> | <b><u>\$ 4,818,834</u></b> |
|--|----------------------------|----------------------------|

On behalf of the board

\_\_\_\_\_ Director

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

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## 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                              | <u>7,212,851</u>     | <u>5,484,587</u>    |
| 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                              | <u>5,535,309</u>     | <u>3,330,414</u>    |
| Operating income                            | <u>1,677,542</u>     | <u>2,154,173</u>    |
| 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                                  | <u>\$ 50,613,783</u> | <u>\$ 2,067,292</u> |

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

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|                          | Members'<br>Capital | Accumulated<br>Profit | Total<br>Members'<br>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                      |
| <b>December 31, 2022</b> | <b>\$ (165,825)</b> | <b>\$ 2,237,123</b>   | <b>\$ 2,071,298</b>         |

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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       |
| 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)           |
| <b>Net cash provided by operating activities</b>                                  | <b>1,871,129</b>    | <b>2,246,435</b>   |
| 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)           |
| <b>Net cash provided by investing activities</b>                                  | <b>55,776,232</b>   | <b>203,513</b>     |
| 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)        |
| <b>Net cash used in financing activities</b>                                      | <b>(56,062,262)</b> | <b>(2,517,416)</b> |
| Foreign currency translation  | (15,422)            | (4,169)            |
| Net increase (decrease) in cash   | 1,569,676           | (71,637)           |
| Cash, beginning of year   | 361,634             | 433,271            |
| Cash, end of year   | <b>\$ 1,931,310</b> | <b>\$ 361,634</b>  |

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

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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#### **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.

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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#### **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.

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#### **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).

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#### **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.

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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#### **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.

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## **SBS Franchising LLC**

### **Notes to the Financial Statements**

December 31, 2022

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#### **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.

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#### **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.

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#### **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

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**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.

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INDEPENDENT AUDITORS' REPORT

SBS FRANCHISING, LLC  
North Hollywood, California

We have audited the accompanying financial statements of SBS Franchising, LLC, (the "Company"), which comprise the balance sheet as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBS Franchising, LLC as of December 31, 2021 and 2020, and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Heydari & Associates

Los Angeles, California  
March 15, 2022

**SBS FRANCHISING, LLC**

AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2021  
and  
December 31, 2020

**SBS Franchising, LLC**  
Balance Sheet

| <b>ASSETS</b>                                |                            |                            |
|--|----------------------------|----------------------------|
|  | December 31, 2021          | December 31, 2020          |
| Current Assets                               |                            |                            |
| Cash   | \$ 165,415                 | \$ 362,964                 |
| Accounts Receivable                          | 541,425                    | 344,890                    |
| Prepaid Expenses                             |                            | 12,666                     |
| Notes Receivable (Current Portion)           | <u>182,663</u>             | <u>120,625</u>             |
| Total Current Assets                         | 889,503                    | 841,145                    |
| Machinery & Equipment                        | 5,306                      | 5,306                      |
| Accumulated Depreciation                     | (5,306)                    | (5,306)                    |
| Goodwill                                     | 2,913,981                  | 2,913,981                  |
| Franchise Contract Assets                    | 606,068                    | 584,972                    |
| Notes Receivable (Non-Current Portion)       | <u>135,904</u>             | <u>86,967</u>              |
| <b>Total Assets</b>                          | <b><u>\$ 4,545,456</u></b> | <b><u>\$ 4,427,065</u></b> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                            |                            |
| Current Liabilities                          |                            |                            |
| Accounts Payable & Accrued Expenses          | \$ 357,327                 | \$ 369,993                 |
| Line of Credit with Financial Institutions   | 39,423                     | 122,092                    |
| Insurance Reserve                            | 41,640                     | 41,690                     |
| Notes Payable (Current Portion)              | 699,499                    | -                          |
| Unearned Revenues                            | <u>23,800</u>              | <u>-</u>                   |
| Total Current Liabilities                    | 1,161,689                  | 533,775                    |
| Franchise Contract Liabilities               | 3,539,481                  | 3,248,316                  |
| Notes Payable                                | <u>2,100,000</u>           | <u>2,706,653</u>           |
| Total Liabilities                            | 6,801,170                  | 6,488,744                  |
| Members' Equity                              |                            |                            |
| Members' Interest                            | <u>(2,255,715)</u>         | <u>(2,061,680)</u>         |
| Total Members' Equity                        | (2,255,715)                | (2,061,680)                |
| <b>Total Liabilities and Members' Equity</b> | <b><u>\$ 4,545,456</u></b> | <b><u>\$ 4,427,065</u></b> |

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

**SBS Franchising, LLC**  
**Statement of Income**

|  | Year Ended<br>December 31st,<br>2021 | Year Ended<br>December 31st,<br>2020 |
|--|--------------------------------------|--------------------------------------|
| <b>Revenue</b>                                 |                                      |                                      |
| Royalties                                      | \$ 4,789,852                         | \$ 3,722,419                         |
| Franchise License & Transfer fee               | 367,234                              | 289,101                              |
| Cleaning Supply Sales                          | 1,626                                | 3,180                                |
| Recovery of Doubtful Notes Receivable          | 62,400                               | 98,417                               |
| <b>Total Revenue</b>                           | <b>5,221,112</b>                     | <b>4,113,117</b>                     |
| <b>Operating Expenses</b>                      |                                      |                                      |
| Employee Compensation and Benefits             | 1,505,796                            | 1,364,946                            |
| General and Administrative                     | 176,250                              | 214,785                              |
| Legal & Professional Fees                      | 258,472                              | 265,332                              |
| Marketing & Advertising                        | 415,381                              | 426,041                              |
| Franchisee Expenses                            | 66,000                               | 85,914                               |
| Franchise Contract Expenses                    | 59,601                               | 40,875                               |
| Software License Fee                           | 723,745                              | 609,903                              |
| Occupancy                                      | 46,505                               | 43,585                               |
| <b>Total Expenses</b>                          | <b>3,251,750</b>                     | <b>3,051,381</b>                     |
| <b>Operating Income (Loss)</b>                 | <b>1,969,362</b>                     | <b>1,061,736</b>                     |
| <b>Other income (Expenses)</b>                 |                                      |                                      |
| Interest Earned                                | 4,212                                | 6,487                                |
| Interest Expense                               | (247,592)                            | (260,000)                            |
| Gain on Extinguishment of Debt                 | 206,653                              |                                      |
| <b>Income (Loss) Before Income Tax Expense</b> | <b>1,932,635</b>                     | <b>808,223</b>                       |
| Income Tax Expense                             | (9,254)                              | (7,500)                              |
| <b>Net Income (Loss)</b>                       | <b>\$ 1,923,381</b>                  | <b>\$ 800,723</b>                    |

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

**SBS Franchising, LLC**  
**Statement of Changes in Members' Equity**

|                            | Members'<br>Capital | Accumulated<br>Profit | Total<br>Members'<br>Equity |
|----------------------------|---------------------|-----------------------|-----------------------------|
| Balance, December 31, 2019 | \$ (165,825)        | \$ (1,587,606)        | \$ (1,753,431)              |
| Net Income                 |                     | \$ 800,723            | 800,723                     |
| Member Distributions       |                     | (1,108,972)           | (1,108,972)                 |
| Balance, December 31, 2020 | \$ (165,825)        | \$ (1,895,855)        | \$ (2,061,680)              |
| Net Income                 |                     | \$ 1,923,381          | 1,923,381                   |
| Member Distributions       |                     | (2,117,416)           | (2,117,416)                 |
| Balance, December 31, 2021 | <u>\$ (165,825)</u> | <u>\$ (2,089,890)</u> | <u>\$ (2,255,715)</u>       |

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



**SBS Franchising, LLC**  
**Statement of Cash Flows**

|   | Year Ended<br>December 31st,<br>2021 | Year Ended<br>December 31st,<br>2020 |
|---|--------------------------------------|--------------------------------------|
| Cash Flow from Operating Activities:                    |                                      |                                      |
| Net Income (Loss)                                       | \$ 1,923,381                         | \$ 800,723                           |
| Changes in Operating Assets and Liabilities:            |                                      |                                      |
| Accounts Receivable                                     | (196,535)                            | (70,890)                             |
| Prepaid Expenses  | 12,666                               | (12,666)                             |
| Franchise Contract Costs                                | (21,096)                             | (73,612)                             |
| Accounts Payable and Accrued Expenses                   | (95,335)                             | (141,008)                            |
| Unearned Revenues                                       | 23,800                               |                                      |
| Franchise Contract Liabilities                          | 291,165                              | 749,556                              |
| Gain on Extinguishment of Debt                          | (206,653)                            |                                      |
| <i>Net cash provided (used) by operating activities</i> | 1,731,393                            | 1,252,103                            |
| Cash Flows from Investing Activities:                   |                                      |                                      |
| Insurance Reserve                                       | (50)                                 | 56                                   |
| Decrease (Increase) in Notes Receivable                 | (110,975)                            | 259,417                              |
| <i>Net cash provided (used) by investing activities</i> | (111,025)                            | 259,473                              |
| Cash Flows from Financing Activities:                   |                                      |                                      |
| Increase (Decrease) in Notes Payable                    | 299,499                              | (93,347)                             |
| Member Contributions (Distributions)                    | (2,117,416)                          | (1,108,972)                          |
| <i>Net cash provided (used) by financing activities</i> | (1,817,917)                          | (1,202,319)                          |
| <i>Net cash increase (decrease) for period</i>          | (197,549)                            | 309,257                              |
| Cash at Beginning of the Year                           | 362,964                              | 53,707                               |
| Cash at End of the Year                                 | \$ 165,415                           | \$ 362,964                           |
| <br>  |                                      |                                      |
| Cash Paid for Interest                                  | \$ 247,592                           | \$ 260,000                           |

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

**SBS FRANCHISING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

1. Summary of Significant Accounting Policies

Nature of business - SBS Franchising, Inc. (the “Company”) was formed under the General Corporation Law of the state of Delaware on January 13, 2015. The Company was authorized to issue 10,000 shares of common stock, all of which were issued at \$0.00001 per share (the “Common Stock”). 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 a commercial cleaning business 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. operations.

Basis of Accounting - The Company uses the accrual basis of accounting in recording franchise revenue and expenses related to the sale of franchises and collection of royalties. Under this method, revenues are recognized when they are earned rather than when they are collected, and expenses are recognized when they are incurred rather than when they are paid. Effective January 1, 2019, the Company adopted ASU 2014-09, Revenue from Contracts with Customers, and subsequent amendments. The amendments are required by U.S. GAAP (Generally Accepted Accounting Principles), and collectively create a new Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which replaces most of the existing revenue recognition guidance found in U.S. GAAP, as they relate to the Company’s franchise contracts with its master franchisees.

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.

Cash and cash equivalents - Cash and cash equivalents include bank deposits and short-term investments with original maturities of three months or less at the date of purchase.

*See accompanying independent auditors’ report*

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.

Allowance for accounts and notes receivable - The Company uses the accrual method of accounting and evaluates the collectability of its accounts and notes receivable based on historical data and anticipated effects of economic and other business trends that may have a bearing on collectability. As of December 31, 2021 and 2020, the Company recorded \$87,600 and \$150,000, respectively, as allowance for uncollectible accounts and notes receivable.

Fair value of financial instruments - The carrying amounts of cash, cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term maturities of these instruments.

Forgivable loans under the Paycheck Protection Program (PPP) - The Company's policy is to account for forgivable loans received through the Small Business Administration (SBA) under Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, Debt, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Company is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the other income section of the statement of income.

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. Further, a fee is paid to the state of California based on the gross receipts of the Company during the taxable year.

Advertising and marketing costs - The Company expenses advertising and marketing expenses as they are incurred.

Franchise license fees, notes receivable, and royalty revenue - The Company receives cash and notes 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 notes receivable are signed and become effective. The Company also receives royalties from its master franchise licensees, these royalties are recognized when earned based on the master agreements. The Company also provides marketing services for its master franchise licensees.

*See accompanying independent auditors' report*

In 2021, the Company increased its advertising and marketing efforts and was able to sign up new Master Franchisees. These efforts resulted in an increase in Franchise License Fee income as well as an increase in the related sales commission expenses in 2021.

## 2. Adoption of New Revenue Standard

Effective January 1, 2019, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and subsequent amendments. The amendments are required by U.S. GAAP, and collectively create a new Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which replaces most of the existing revenue recognition guidance found in U.S. GAAP. ASC 606 establishes a new, single revenue framework to recognize revenue from contracts with customers and offers expanded disclosures for revenue transactions.

The Company adopted ASC 606 using the modified retrospective method applied to all franchise contracts not complete as of January 1, 2018. Under the modified retrospective method, the Company adjusted January 1, 2018 retained earnings to reflect the cumulative effect of adopting the new revenue standard on prior years. The adoption of the revenue standard resulted in an increase in beginning retained earnings of approximately \$824,172, and a corresponding increase in the franchise contract asset of \$165,540 and in the franchise contract liability of \$989,712 at January 1, 2018. The net adjustment in retained earnings is due primarily to the new revenue standard accelerating the recognition of revenue related to franchise sale contracts recording revenue over time instead of at a point in time.

The financial statements for reporting periods beginning after January 1, 2019 are presented under new ASC 606. The financial statement impact of applying the new revenue standard for years ended December 31, 2021 and 2020, was to decrease revenues by \$291,166 in 2021 and \$749,556 in 2020 and to decrease the corresponding contract expenses by \$21,096 in 2021 and \$73,612 in 2020, as compared with amounts that would have been recognized under the previous revenue standard. These decreases were due primarily to spreading the recognition of the revenue and costs related to the long-term franchise contracts over 15 years. The unrecognized portions of the contract costs and revenues have been recorded as franchise contract assets and liabilities, respectively, in the Company's financial statements.

## 3. Acquisition of Goodwill

On or about January 28, 2015, the Company entered into an Asset Purchase Agreement with Stratus Franchising, LLC, a Missouri limited liability company, whereby, the Company

*See accompanying independent auditors' report*

acquired all of seller's right, title and interest in and to all franchise Master Agreements and all domestic intellectual property rights owned by seller, all of which have been recorded as Goodwill. Pursuant to the consummation of this acquisition, the Company incurred acquisition and startup costs, including consulting and legal fees, which were expensed.

In November of 2019, pursuant to a membership interest redemption agreement, the membership interest of one of the owners was purchased by the Company. Amounts in excess of the capital account of such member have been recorded as Goodwill. The Company borrowed funds to finance such acquisition. The Goodwill is evaluated for impairment annually or when indicators of a potential impairment are present.

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.

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 12/31/2018. The accumulated reserve will not be returned to the participating Master Franchisees until the program is fully closed by the insurance carrier. The balance of the insurance reserve account as of December 31, 2021 and 2020 were \$41,640 and \$41,690, respectively.

6. Notes Payable

In May 2020, the Company received an unsecured loan in the amount of \$196,653 from the Small Business Administration (SBA), as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP). Under the terms of the PPP note, loan payments were deferred until the Company received notification from the SBA as to the amount of the loan forgiven. Monthly payments were due in the amount of \$8,344.05,

*See accompanying independent auditors' report*

including interest at one percent per annum, which approximated the effective interest rate.

The loan terms provided that a portion or all of the loan was forgivable to the extent that the Company used the loan proceeds to fund qualifying payroll and other expenses during a designated 24-week period. In 2021, the Company submitted to its lender and to the SBA an application for the forgiveness of the entire loan balance of \$196,653.

In May 2021, the Company received notification from the SBA that the entire loan balance of \$196,653 was forgiven. On the forgiveness date, the Company removed the loan balance and related accounts, and recorded in other income, on its statement of income, a gain on extinguishment of debt in the amount of \$196,653.

In addition to the above PPP loan, the Company received a \$10,000 advance payment from the SBA under the Economic Injury Disaster Loan program in 2020. This amount was initially recorded as a long term Note Payable in 2020. Subsequently, the \$10,000 advance was forgiven by SBA, and the Company recorded this amount as a gain on extinguishment of debt in 2021.

#### 7. Commitments and Contingencies

##### **North Hollywood Office Lease**

On February 1, 2015, the Company entered into a non-cancelable 5 year operating lease for its primary facilities in North Hollywood, California, which expired in February 2020. The building is owned by RSMS Ventures, LLC, which is wholly owned by two of the owners of the Company. On February 1, 2020 a lease extension was entered into extending the lease until February 1, 2022. The lease requires the Company to pay \$3,150 per month during the first year with a 5% annual increase during the life of the lease. Future minimum lease payments under this lease are as follows:

|       |                |
|-------|----------------|
| 2022  | <u>\$3,150</u> |
| Total | \$3,150        |

On February 1, 2022 a lease extension was entered into extending the lease until February 1, 2027. Included in this lease is additional square footage. Future minimum lease payments under this lease are as follows:

|      |           |
|------|-----------|
| 2022 | \$138,924 |
| 2023 | 155,717   |
| 2024 | 160,386   |
| 2025 | 165,198   |
| 2026 | 196,167   |

*See accompanying independent auditors' report*

2027 14,215

Total \$830,607

Management asserts that 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.

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.

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, 2021 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, 2021 and 2020.

9. Related Parties

The Company leases office space in North Hollywood, California, from RSMS Ventures, LLC, an entity owned by two of the Company's owners.

The Company has a software license agreement with BRMCloud, Inc., which is owned by two of the Company's owners. The software is used by the Company and its master franchisees for the day to day management of their businesses. The license fee is based on the total revenues of the Company on a sliding-scale basis, ranging from 0.65% of revenues up to \$5.0 million to 0.15% of revenues above \$50 million. On December 28, 2021, SBS Franchising, LLC entered into an asset purchase agreement with BRMCloud, Inc. to purchase its proprietary software ("Opus") effective January 2022. As a result of this asset purchase, the licensee fee agreement will terminate after December 2021.

In 2018, the Company started to pay management fees to a related entity owned by two of the owners of the Company. The total management fees paid in 2021 and 2020 were \$66,000 and \$87,572, respectively.

*See accompanying independent auditors' report*

In June of 2018, the membership interest of one of the owners of the Company was redeemed by the Company. Such owner also had ownership interests in other entities that had master franchisee agreements with the Company. In 2019, the Company brought a legal suit against the previous owner for a variety of alleged legal violations. As part of a legal settlement, a new entity was formed by the current owners of the Company to acquire several existing master franchisees that were owned by the previous owner. The legal fees related to this litigation resulted in an increase in legal expenses in 2019.

In 2019 the Company borrowed \$300,000 from its current owners to partially fund the redemption of the previous owner's membership interest. This amount was subsequently paid back in 2020.

#### 10. Canada Business Venture

In 2016, the Company ("SBSF") and Declare Brands, Inc. ("DBI"), a Canadian company, entered into a joint venture agreement to implement SBSF's business model exclusively in Canada. As part of this arrangement, the Company acquired an ownership interest in the Canadian operations. The accompanying financial statements are limited to the U.S. operations and do not include any financial information related to the Canadian operations.

#### 11. Subsequent Events

According to code FASB ASC 855-10 Subsequent Events, Management reviewed the events as of the issue date of the audit report and determined there is no recognizable subsequent events, including changes in the fair value of assets and liabilities (financial and non-financial), after the balance sheet date but before financial statements are issued or are available to be issued, except for the extension of the lease for the office space in North Hollywood, California, commencing on February 1, 2022 through February 1, 2027.

*See accompanying independent auditors' report*



**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 Franchisee 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 10<sup>th</sup> 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 10<sup>th</sup> 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%                           |

(a) 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 10<sup>th</sup> day of the next calendar month after the Unit Franchise fee is received by the Master Franchisee.

(b) 20%/15%/10% (based on above) of each principal and interest payment for any Unit Franchise Fee that is financed by the Master Franchisee (i.e. payable by promissory note to the Master Franchisee); which must be paid to SBS by the 10<sup>th</sup> day of the next calendar month after any such payment 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 10<sup>th</sup> 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 Franchisee 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 and 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 10<sup>th</sup> 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 10<sup>th</sup> 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 (10<sup>th</sup>) day of each month. Should such report not be received on or before the tenth (10<sup>th</sup>) 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 13<sup>th</sup> 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 25<sup>th</sup> 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; and
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.

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 its 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 Unit Franchise 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 Unit Franchise Documents must be approved by SBS prior to use by the Master Franchisee. All Unit Franchise Documents must include a provision stating that SBS is a third-party beneficiary of the Unit Franchise Documents with rights to assume and enforce them should the Master Franchisee fail to do so.

4. SBS Must Receive Copy of all Executed Pages of Unit Franchise Agreements – Master Franchisee agrees to send SBS a copy of all executed pages filled out or signed in the unit franchise agreement by the 10<sup>th</sup> day of the next calendar month after it is executed.

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 more than fifty percent (50%) 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 (30<sup>th</sup>) 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 not 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 or 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. 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.

SBS is not liable for any act, omission, debt or other obligation of Master Franchisee. 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.

## **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;  
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.

I 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 Franchisee 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](http://www.StratusBuildingSolutions.com) and [www.StratusClean.com](http://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.

Training sessions and master franchise meetings and seminars (annual/regional) will be held by SBS 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 fine on Master Franchisee in an amount 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.

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 Good Cause Upon Thirty Days' Notice – SBS may terminate this Agreement for “good cause” if: (1) SBS gives the Master Franchisee a written notice of default explaining the default and reason(s) for termination at least thirty (30) days in advance of termination, and (2) the Master Franchisee has not cured the default or corrected the reasons stated for termination in the notice of default within the thirty day period from receiving said notice. For this purpose, “good cause” means failure by the Master Franchisee to substantially comply with the material and reasonable franchise requirements imposed by SBS including, but not limited to:

1. The bankruptcy or insolvency of the Master franchisee;
2. Assignment for the benefit of creditors or similar disposition of the assets of the Master Franchise business;
3. Abandonment of the Master Franchise business;
4. Conviction of a plea of guilty or no contest to a charge of violating any law relating to the Master Franchise business; or
5. Any act by or conduct of the Master Franchisee which materially impairs the good will associated with the Marks and/or System.

B. Termination Upon Material Default – A material default occurs, and SBS therefore has the right to terminate this Agreement 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 convicted of any crime or offense directly related to the business conducted pursuant to this Agreement; or
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.

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 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: \_\_\_\_\_

ITS: \_\_\_\_\_

(Authorized Officer)

(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**  
**PROMISSORY NOTE**

City of Los Angeles

State of California

\$ \_\_\_\_\_, 20\_\_.

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ (“Franchisee”) promises to pay to the order of SBS Franchising, LLC (“Franchisor”) of 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555 or at such other place or to such other party or parties as a holder of this Note may from time to time designate, in lawful money of the United States of America, the principal sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) which interest from the date hereof at the rate of 12% per annum on the unpaid balance of said principal sum until paid.

The undersigned further promises to pay that principal sum and interest in installments as follows:

\_\_\_\_\_ dollars (\$ \_\_\_\_\_) on \_\_\_\_\_ and \_\_\_\_\_ as a lump sum or successive monthly installments of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) each on the same day of each succeeding calendar month until all such payments have been made, on which date the entire balance of principal and interest unpaid shall be due and payable.

This note may be prepaid without penalty.

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

Should default be made in the payment of any installment of principal or interest when due, then the whole sum of principal and interest shall become immediately due and payable at the option of the holder of this Note, with interest from the date of such default at the rate of twelve percent (12%) per annum until paid on the entire unpaid principal and interest.

Furthermore, this Note and all other obligations, direct or contingent, of Franchisee or any endorser hereof to Franchisor, shall become due and payable immediately at the option of the holder of this Note, without demand or notice upon the happenings of any of the following events:

1. The failure to pay when due any installment of the principal and interest of this Note.
2. The failure to timely keep or properly perform any of the recitals, covenants, conditions, representations, warranties, obligations or guarantees contained in any agreement between the Franchisor and Franchisee.
3. The levy of any attachment, execution or any other process against all or any part of the assets of Franchisee.
4. The failure to pay, withhold, collect, remit any tax or tax deficiency when assessed or due.
5. The suspension of the business of Franchisee, or the making of a general assignment for the benefit of creditors, or the commencement of proceeding for dissolution or liquidation, or the commencement of

proceeding under any bankruptcy, insolvency, readjustment, or debt or liquidation, law or statute of the federal or state governments, or the adjudication as bankrupt or insolvent, or the involuntary appointment of a receiver, or applications therefore, or the making of a bulk sale or the giving of notice of intention to do so.

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

In the event an attorney is employed by the holder of this Note to enforce any of its terms, Franchisee shall pay reasonable costs and attorneys' fees in connection therewith, and such amount shall be secured hereby.

This Note is to be construed in accordance with the laws of the State of the state in which your franchise is located.

Franchisee:

Shareholders or Partners of Franchisee:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Social Security Number

**EXHIBIT F**  
**LIST OF MASTER FRANCHISEES**

| <b>State</b> | <b>Phone Numbers</b> | <b>Master Franchisee Contact</b>                   | <b>Address</b>   |
|--------------|----------------------|--|--|
| CA           | (818) 981-1700       | Jim Smith<br>(4 Territories)                       | 10530 Victory Blvd.<br>North Hollywood, CA 91606             |
| CA           | (707) 658-4405       | Chris Wegner<br>Charles Holmstrom                  | 755 Baywood Drive, Suite 235<br>Petaluma, CA 94954           |
| CA           | (916) 945-8448       | Chris Wegner                                       | 919 Reserve Dr., Suite 123<br>Roseville, CA 95678            |
| CA           | (408) 689-7228       | Patrick Doyle                                      | 920 Saratoga Ave, Suite 209<br>San Jose, CA 95129            |
| FL           | (407) 915-3900       | Matt and Amy McCartney                             | 543 Wymore Rd., Suite 103<br>Maitland, FL 32751              |
| FL           | (305) 323-6940       | Jennifer Poulos                                    | 7700 North Kendall Dr., Suite 507<br>Miami, FL 33156         |
| FL           | (561) 469-8795       | Robert McKeown                                     | 9100 Belvedere Rd., Suite 106<br>Royal Palm Beach, FL 33411  |
| FL           | (813) 442-1502       | Kevin Martinez                                     | 4302 Henderson Blvd. Suite 102<br>Tampa, FL 33629            |
| GA           | (770) 672-0318       | Gary Graves<br>(2 Territories)                     | 1480 Shiloh Rd. NW<br>Kennesaw, GA 30144                     |
| IL           | (502) 417-6969       | Lee Varon  | 100 N. Waukegan Road<br>Lake Bluff, IL 60044                 |
| IN           | (317) 758-3440       | Lee Putman   | 7753 E. 88th Street<br>Indianapolis, IN 46256                |
| KY           | (502) 817-5376       | Derrick Riddle<br>Lee Putman                       | 300 Todds Point Road<br>Simpsonville, KY 40067               |
| LA           | (504) 308-3460       | Michael Seiler                                     | 4430 S 1-10 Service Road W., Suite 101<br>Metairie, LA 70001 |
| MD           | (301) 615-0202       | Steve Turner<br>(2 Territories)                    | 7869 Belle Point Dr.<br>Greenbelt, MD 20770                  |
| MI           | (313) 960-4737       | Jeff and Angela Kelosky                            | 40950 Woodward Ave., Suite 360<br>Bloomfield Hills, MI 48304 |
| MI           | (989) 574-6359       | Craig Nichols<br>Lee Putman                        | 120 54th Street SW<br>Wyoming, MI 49548                      |
| MN           | (651) 728-4489       | Ricardo Bonifaz                                    | 442 Hayward Ave. North<br>Oakdale, MN 55128                  |
| NV           | (702) 338-1866       | Darren Robertson<br>Ryan Robertson<br>Cody Millsap | 2785 E Desert Inn Rd., Suite 265<br>Las Vegas, NV 89121      |

| <b>State</b> | <b>Phone Numbers</b>             | <b>Master Franchisee Contact</b>         | <b>Address</b>   |
|--------------|----------------------------------|--|--|
| NJ           | (973) 204-5997                   | Donald Gartner                           | 208 Passaic Ave, Suite 4<br>Fairfield, NJ 07004                    |
| NY           | (631) 807-5799                   | Rick Baran                               | 510 Broadhollow Road, Suite 306<br>Melville, NY 17747              |
| NC           | (704) 594-5941                   | Thomas Henning                           | 10926 S. Tryon Street, Suite G<br>Charlotte, NC 28273              |
| NC           | (864) 380-9098                   | Ralph Sizemore                           | 420 E Park Avenue, Suite 302<br>Greenville, SC 29601               |
| OH           | (440) 627-6200                   | Tim Tilton                               | 7976 Broadview Road Suite 100<br>Broadview Heights, OH 44147       |
| OH           | (513) 260-0804                   | Mark Stocker                             | 11260 Cornell Park Drive, Suite 708<br>Cincinnati, OH 45242        |
| OH           | (614) 500-4141                   | Adam Limbach                             | 659 Lakeview Plaza Blvd., Suite J<br>Worthington, OH 43085         |
| OK*          | (405) 359-2920                   | Chris and Danny Green<br>(2 Territories) | 7700 N. Hudson Ave., Suite 9<br>Oklahoma City, OK 73116            |
| OR           | (503) 468-5274                   | Joshua Lay<br>(2 Territories)            | 10373 NE Hancock St., Suite 132<br>Portland, OR 97220              |
| PA           | (215) 272-5536                   | John and Bonnie Coleman                  | 120 Gibraltar Road, Suite 109<br>Horsham, PA 19044                 |
| PA           | (412) 314-1900                   | David Erimias                            | 110 VIP Drive, Suite 203<br>Wexford, PA 15090                      |
| SC           | (864) 380-9098                   | Ralph Sizemore<br>Thomas Henning         | 104 Corporate Blvd., Suite 410<br>West Columbia, SC 29169          |
| SC           | (864) 380-9098                   | Ralph Sizemore                           | 420 E Park Avenue, Suite 302<br>Greenville, SC 29601               |
| TN           | (404) 402-8415<br>(615) 924-5394 | David Smith                              | One Vantage Way, Suite B100<br>Nashville, TN 37228                 |
| TX           | (512) 271-4594<br>(512) 271-4595 | Greg Fishman<br>Steven Sherriff          | 7719 Wood Hollow Drive, Suite 156<br>Austin, TX 78731              |
| TX           | (703) 424-4863                   | Shaun Butterworth                        | 888 S. Greenville Ave., Suite 304<br>Richardson, TX 75081          |
| TX           | (512) 271-4594                   | Greg Fishman                             | 2537 S. Gessner, Suite 121<br>Houston, TX 77063                    |
| UT           | (801) 440-4636                   | Shauna Sharpsteen<br>Emily Thomas        | 5258 South Pinemont Drive, Suite B-280<br>Salt Lake City, UT 84123 |
| VA           | (804) 799-0003                   | MacGregor Gould                          | 9601 Gayton Road, Suite 100<br>Richmond, VA 23238                  |
| VA           | (757) 904-1668                   | Mike Thompson                            | 5269 Greenwich Road, Suite 200<br>Virginia Beach, VA 23462         |

| State | Phone Numbers  | Master Franchisee Contact | Address   |
|-------|----------------|---------------------------|---|
| WA    | (206) 957-8360 | Joshua Lay                | 14400 Bel-Red Road, Suite 201<br>Bellevue, WA 98007 |

\* As of December 31, 2022, one of this master franchisee's territories was not yet operating.

#### LIST OF FORMER MASTER FRANCHISEES

| State | Phone Number   | Name         | Reason for leaving the System                             |
|-------|----------------|--------------|---|
| CO    | (719) 201-3698 | Jim Vandyke  | Sold Master Franchise Business to SBS Services Group, LLC |
| OH    | (419) 469-5007 | Andrew Byars | Sold Master Franchise Business to SBS Services Group, LLC |

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 G**  
**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 IV of the Agreement shall be amended as follows:

Based upon our financial condition, the Franchise Bureau in the Office of the Illinois Attorney General requires us to defer payment of the initial franchise fee owed by you to us until we have completed our pre-opening obligations under this Agreement.

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 IV of the Agreement shall be amended as follows:

Based upon our financial condition, the Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under this Agreement.

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 H**  
**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 or 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 5 is amended as follows:

Based upon our financial condition, the Franchise Bureau in the Office of the Illinois Attorney General requires us to defer payment of the initial franchise fee owed by you to us until we have completed our pre-opening obligations under the franchise agreement.

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 5 of the Disclosure Document shall be amended as follows:

Based upon our financial condition, the Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the franchise agreement.

3. 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 I**  
**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.**

**STRATUS BUILDING SOLUTIONS**  
**UNIT FRANCHISE AGREEMENT**

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### EXHIBITS:

Exhibit A – The Marks

Exhibit B – Promissory Note

Exhibit C – Account Acquisition Agreement

Exhibit D – Confidentiality, Non-Use and Non-Competition Agreement

Exhibit E – Franchisee Compliance Certification

Exhibit F – General Release

**STRATUS BUILDING SOLUTIONS**  
**UNIT FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is being entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **YOUR COMPANY NAME**, a \_\_\_\_\_ state [corporation][limited liability company][partnership], d/b/a Stratus Building Solutions of **AREA** with its principal office located at: **ADDRESS, CITY, STATE ZIP** (hereinafter referred to as “we,” “us,” “our,” or “Master Franchisee”) and the following independent business:

Entity Name: \_\_\_\_\_

Principal Address: \_\_\_\_\_

(hereinafter referred to as “you,” “your,” or “Franchisee”).

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**RECITALS**

- A. We are a master franchisee operating under a master franchise agreement with SBS Franchising, LLC (“SBS” or “SBS Franchising”) within the Territory (defined below).
- B. We are in the business of offering franchises for independent businesses to operate a commercial cleaning and maintenance business, under the Stratus system of specifications and operating procedures (“System”) and the service marks “Stratus” and “Stratus Building Solutions,” and such other marks and logos as we may prescribe from time to time (“Marks”). Franchisees provide commercial cleaning and maintenance services to interior and exterior environments of business and residential locations.
- C. The Marks are owned by Diversified Royalty Corporation (“Trademark Owner”) and are licensed to SBS in accordance with a License and Royalty Agreement; SBS has granted us the right to offer franchises under the System and the Marks in the Territory (defined below).
- D. You wish to acquire the right to operate a franchise under the System and the Marks and in connection therewith to avail yourself of various other services provided by us as described in this Agreement.
- E. We will, during the course of our relationship with you, provide you certain information relating to the System, including, without limitation, a brand standards manual (“Brand Standards Manual”), which includes content about franchise operations, cleaning operations, evaluations, business operations, office care, restroom care, trade names, trademarks, product designs and plans and other proprietary business concepts and plans (collectively, the “Confidential Information”).



F. Before signing this Agreement, please read the Franchise Disclosure Document for prospective franchisees and this Agreement and obtain clarification of any provision that you do not understand.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements contained herein, you and we agree as follows:

## **1. GRANT OF FRANCHISE RIGHTS AND INITIAL CUSTOMER CONTRACTS**

### **1.1 Grant**

We grant you the right, and you accept the obligation, to operate a commercial cleaning and maintenance business under the System and Marks on the terms described in this Agreement (“Franchised Business”). You agree to operate your Franchised Business only in the Territory described in Section 1.2 below.

### **1.2 Franchise Plan**

We will furnish to you a franchise plan that will consist of one (1) or more customer contract(s) (“Customer Contracts”) for customers (“Customers”) located in the [CITY, STATE] MSA (the “Territory”) with a value of \$\_\_\_\_\_ in gross annual billings (as it may be modified hereunder from time to time, the “Franchise Plan”).

We will use our reasonable commercial efforts, to the extent practicable, to permit you to provide your input regarding service specifics (estimate, cost assessments, ordering supplies, and Clean Schedule (described below) in connection with each Customer Contract. In such cases where we permit you to provide your input, you may provide your input regarding specific details related to the Customer Contract or Franchise Plan, including, without limitation, regarding the estimate, time and personnel necessary to complete such plan, cost assessments, ordering supplies, etc. and we shall take such input into account in bidding Contracts and developing the Franchise Plan.

You shall have complete discretion to determine your own hours and the manner in which you complete all work for Customers; provided however, that the work completed for the Customer complies with the Customer’s requirements as identified in the “Clean Schedule” provided to you prior to conducting work for the customer. The “Clean Schedule” describes the work required by the Customer and is a guide to the performance of your services to the Customer.

1.3 **Non-exclusive Rights.** You acknowledge and agree that your rights in the Territory are not exclusive to you and we may grant other franchises to other parties to operate in the Territory. You may not service outside of the Territory any Customers or Customer Contracts acquired under this Agreement.

### **1.4 Timing of Acquisition of Initial Customer Contracts**

We have the following time periods to offer initial Customer Contracts to you from the date of your completion of the Brand Certification Program (described in Section 3.1 below):

- (i) One hundred and twenty (120) business days, for any initial Franchise Plan with a value of up to \$36,000 in gross annual billings; or

- (ii) One hundred and twenty (120) business days plus an additional thirty (30) business days, for each additional \$12,000 of in gross annual billings in the Franchise Plan, over the initial \$36,000 in gross annual billings.

The time periods described above may be extended upon your and our mutual agreement or for the following amount of time in the following circumstances:

- (i) Your Re-certification. If any Customer Contract offered to you in fulfillment of the initial Franchise Plan cancels your services for faulty workmanship or other default under such Customer Contract, or we discontinue your service to such Customer, we may require re-certification of your representative, and the time within which to offer Customer Contracts with the value of gross annual billings in the Franchise Plan will be suspended until your representative completes re-certification to our satisfaction.
- (ii) Your Material Breach of the Agreement. If you are in breach of any material provision of this Agreement, any Customer Contract or any other Agreement with us, the time in which to offer Customer Contracts with the value of gross annual billings in the Franchise Plan will be suspended until all material breaches are cured.

#### 1.5 Your Acceptance and/or Refusal of Customer Contracts

After our offer of Customer Contracts to you, within seven (7) calendar days, you must either notify us in writing of your acceptance or refusal to accept the Customer Contract(s). If you fail to accept or refuse such Customer Contract(s), you will be deemed to have accepted such Customer Contract(s).

Upon your acceptance of such account(s), you will own the Customer Contract(s). Your Customer Contract(s) will remain your property, unless any Customer Contract is returned to us as provided in Section 6.2 of this Agreement. Your refusal to accept any Customer Contract will in no manner be construed as a breach of our obligations under this Section 1.

We make no representations with respect to the profitability or the amount of labor required to fulfill the initial Customer Contract(s) other than that such Customer Contract(s) will comply, at the time the Franchise Agreement is granted, with the Franchise Plan as defined in Section 1.2, or of any additional Customer Contracts that are offered to you. You acknowledge that (1) you may be involved in the bidding of Customer Contract(s), to the extent described in Section 1.2 above, and (2) the means by which your obligations to the customer are fulfilled during the term of this Agreement are solely within your control.

In the event that you reject any Customer Contracts provided as part of this Franchise Plan or subsequently discontinue servicing such Customer, then we will be deemed to have fulfilled our obligations hereunder. However, if within one (1) year from the starting date of your services, a Customer should terminate your services for any reason except faulty workmanship, lack of trustworthiness, or other claimed defaults on your part, or if you should cease servicing a Customer because of the Customer's failure to pay for services rendered, we will offer to replace these terminated Customer Contract(s) with other janitorial Customer Contract(s) within a reasonable time, prorated based upon the original gross annual billings. If the new Customer Contract(s) total more than the prorated original Customer Contract(s), an Account Acquisition Fee (defined in Section 7.2.1) will be assessed on the overage as if such overage was an additional Customer Contract offered pursuant to Section 2.1.

## 1.6 Additional Business Services

In addition to your performance of the Franchise Plan, we encourage and expect you to develop your own business, independent of the Franchise Plan that would be an independent source of revenue for you, (1) by obtaining your own Customer Contracts (as further described in Section 2.3 below) and (2) by offering and providing services to customers of the Franchised Business and other customers that are Additional Business Services (as further described in Section 2.4 below).

## 2. **ADDITIONAL CONTRACTS**

### 2.1 Contract Acquisition Program

During the Term of this Agreement, we may offer to you, and you may accept, additional Customer Contracts if we determine, in our reasonable business judgment, that you can satisfactorily service such additional accounts. To obtain additional Customer Contracts, you must pay us an Account Acquisition Fee based on the Franchise Plan level selected (see Section 7.2 of this Agreement) and/or your current annualized Gross Billings, and, at our option, sign a general release. These additional Customer Contracts will be subject to the terms of this Agreement.

Upon your acceptance of such additional Customer Contract(s), you will own the Customer Contract(s). Your Customer Contract(s) will remain your property unless it is returned to us as provided in Section 6.2 of this Agreement.

### 2.2 Stratus Referral Program

You may obtain additional Customer Contracts by referring a potential franchisee to us through a written notice to us. When the potential franchisee enters into a franchise agreement with us, you will receive additional Customer Contract(s) with an annual value equal to ten percent (10%) of the amount of the gross annual billings in the Franchise Plan purchased by such potential franchisee. These additional Customer Contracts will be subject to the terms of this Agreement as if purchased hereunder.

### 2.3 Your Obtained Customer Contracts

Because you are operating your own business, to expand your business you may (1) bring your own clients with you that you have previously serviced prior to the Term or (2) identify potential new clients within the Territory and solicit the potential client to become your Customer by entering into a Customer Contract. Further, if you see benefit and at your request, we will utilize our best efforts to assist you in soliciting the potential customer to become your Customer by entering into a Customer Contract.

If you bill and collect such Customer Contracts on your own and service such a Customer without use of the Stratus Marks and/or System, you will not pay us a royalty fee or administration fee on such Customer Contracts. However, if we perform billing and collection for such Customer Contracts or you solicit or service such Customers using the Stratus Marks and/or System, you must pay us a royalty fee and an administration fee as provided in Sections 7.3 and 7.4 below.

If you bring your own Customer(s) with you or you obtain your own Customer Contracts, you will own those Customer Contracts, and those Customer Contracts will remain your property unless they are transferred to us as provided in Section 6.2 of this Agreement.

## 2.4 Your Additional Business Services

We encourage you to offer and provide additional business services separate from those offered by the Franchised Business to generate separate revenue streams (the “Additional Business Services”). Such Additional Business Services may include, but are not limited to, residential cleaning services, waste removal, snow removal, and recycling services. You shall have the right to offer the Additional Business Services to existing Customers that were originally introduced to you by us and new Customers. You shall have no right to use the Stratus Marks and System Standards (defined in Section 5.2 below) in providing the Additional Business Services; provided, however, that any isolated cleaning services described in Section 7.6 hereof shall be subject to the terms and conditions of such provision. Your Additional Business Services shall not include any activities prohibited by the non-solicitation provisions in Section 16 hereof.

## 2.5 Insurance for Your Obtained Customer Contracts and Additional Business Services

You acknowledge and agree that you will be obligated to obtain, at your own expense, your own insurance coverage for any work you perform for Customers as described in Section 2.3 or 2.4 hereof, including, without limitation, general liability insurance and workers’ compensation insurance.

# 3. **ADMINISTRATION SERVICES**

## 3.1 Brand Certification Program, Customer Relations and Accounting

We provide a comprehensive Brand certification program (“Brand Certification Program”) for you, which includes video, classroom and on-site components that cover the actual work that will be performed by your Franchised Business. Personal consultations can also be scheduled at your request. You are required to have your representative complete the Brand Certification Program to our satisfaction. Group seminars will be available from time to time at our sole discretion, which seminars may be mandatory. There are no costs to you for personal consultations and group seminars. Your employees will fulfill the obligations of the customer agreements in accordance with the System Standards (defined in Section 5.2) and within the terms of the contract. Your employees must be properly trained and capable of performing their duties in accordance with System Standards. You must conduct a thorough Brand certification class for your employees as described in the Unit Franchise Brand Standards Manual and as otherwise required by us. After your completion of the Brand Certification Program we will loan you one (1) copy of the Brand Standards Manual, or otherwise make it available to you, for your use during the term of this Agreement.

## 3.2 Customer Relations Assistance

You and your employees are responsible for providing courteous service to your customers and respond to any concerns, comments or complaints promptly. We may assist you with your customer service efforts and will use our best efforts to assist in customer relations. We may send a representative to visit customers during normal business hours in an effort to ensure compliance with the System’s brand standards and customer satisfaction. Results of these site inspections will be made known to you by mail, phone, or other manner. Regularity of these visits is determined solely by us and should in no way replace customer service efforts that you are required to employ.

### 3.3 Billing, Collections and Records

We will regularly (i) provide billing and invoicing services for your Customer Contracts and accept and process payments from all customers for your Customer Contracts and (ii) collect monies in your name and with your authority from your Customer Contracts, except as described in Section 2.3 above. We will invoice your Customer Contracts on a monthly basis, unless your customer requests an alternate payment arrangement or a service contract requires a different procedure. You must maintain revenue records. We reserve the right to maintain revenue records on all of your Customer Contract(s).

### 3.4 Accounting

3.4.1 We will deduct royalties, administrative fees, insurance fees, any supplies, any advertising fees, any Brand certification fees, any transfer fees, that month's payment on any promissory note or any other monies then owed by you, and uncollected accounts receivable, in accordance with this Section 3.4. If you approve our attempts to enforce any payments of accounts by Customers, in accordance with this Section 3, or if you are in default of any monies owed to us or are otherwise in breach of this Agreement, we will deduct any out-of-pocket costs (including, but not limited to, reasonable attorney's fees and court costs) that may be incurred by us in enforcing payments of accounts by Customers.

3.4.2 Each month, after deducting the amounts described in the previous paragraph, we will initiate a payment to you of the amount paid by the customer(s) you serviced during the previous month. This payment will be initiated on the later of the last business day of the month following the month in which services were provided or the thirtieth (30<sup>th</sup>) day following the month in which services were provided. The payment will not exceed the sum total due to you (after all deductions set forth above) from all accounts you are currently servicing. You acknowledge and agree that due to bank processing times, it may take two (2) additional business days after we initiate payment for the funds to appear in your bank account.

3.4.3 We will make our best efforts to collect monies due pursuant to each Customer Contract. If we determine that a Customer is a bad risk, you may, in your sole discretion, cease providing services to that Customer Contract. We may engage attorneys, commence litigation or do any acts in order to enforce payment of the accounts by the Customers, upon your consent. We shall notify you before taking such action and you agree to cooperate with us in any such action and to pay the reasonable attorney's fees, court costs and other expenses incurred in connection with such action. If after collection action has begun, and the Customer pays the previously uncollected account receivable, we shall add such fees, costs and expenses to the calculation of the monthly amount owed to you at the end of the month in which the customer paid such previously uncollected amount.

## 4. **USE OF MARKS**

### 4.1 License

We hereby grant to you a non-exclusive license, upon the terms and conditions contained herein, to use the Marks. The current Marks are attached hereto as **Exhibit A**. You will use the trademarks, service marks, trade names and logos and the labels and designs pertaining thereto, but only in connection

with the rendering of your services in the janitorial and building maintenance service business, and only on those items and in the form approved by us. Nothing contained herein may be construed so as to permit the use by you of the Marks in any other manner or for any other purpose (including, without limitation, no use of the Marks in connection with the Additional Business Services), except as expressly provided for herein. Nothing herein gives you any right, title or interest in or to the Marks, trade secrets, processes, methods of operation or good will of us, SBS, or Trademark Owner, except as a privilege and license, during the term hereof, to display and utilize the same according to the limitations and upon the terms, covenants and conditions contained herein, or as may be hereafter adopted by us from time to time. We expressly reserve all rights with respect to the Marks and with respect to any trade secrets, processes, methods of operation and goodwill except as may be expressly granted to you herein.

#### 4.2 Expiration or Termination of License

Upon the expiration or termination of this Agreement, as provided under the terms of this Agreement, you will lose all rights to use the name and mark “Stratus”, “Stratus Building Solutions” and/or any other licensed names or marks, business systems, Confidential Information and trade secrets, and must cease to be an authorized Stratus Franchisee. You have no further rights to any Customer Contracts, proceeds of any account, nor will you have any further interest in this Agreement or any benefits provided herein. You agree to discontinue the use of the Marks, deliver and surrender every Mark, label, promotional item, and any physical object bearing or containing any of said Marks, the Brand Standards Manual, and any other items that may be set forth herein; and you will not, directly or indirectly, thereafter operate or do business under any name or in any manner, whether as an individual, partner, agent, shareholder, officer, director, or spouse, that might tend to give the public the impression that you are operating a business operated, owned, licensed by or affiliated with the us or SBS.

#### 4.3 Marks

You agree that the Marks are the sole and exclusive property of Trademark Owner, that the Marks have been licensed by Trademark Owner to SBS, and that SBS has granted us the right to use and sublicense the Marks in the Territory pursuant to our agreement with SBS; and you assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of your licensed use hereof. You will use the Marks only for the uses and in the manner permitted in this Agreement. You agree that we may, at our sole discretion, revoke the license to use the name Stratus and/or design and direct the use of a different, substitute name and/or design, and that, in such event, you will cease use of the name and/or design so revoked and commence immediately to use the substitute name and/or design at your expense. You further agree that you will immediately cease use of the Marks should our license with SBS to use the Marks expire, terminate or fail to renew, except as otherwise specified in Section 14 hereof.

#### 4.4 Use of Marks

You 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 our prior written consent. We have the right to require you to contribute to or prepare pages or content in accordance with our guidelines and subject to our approval for any Internet, social media, or other advertising platforms operated by us or SBS. We retain the sole right to approve any linking to, or other use of, Stratus or Stratus Building Solutions website.

#### 4.5 Notification of Infringements and Claims

You will only take such actions as we consider important in our judgment to protect the Marks. You will not take any action that jeopardizes Trademark Owner's, our, or SBS' interests in, or the validity or enforceability of, the Marks. You agree to immediately notify us of any apparent or actual infringement of, or of any challenge to your use of, the Marks. You will not communicate with any third party with respect to such a claim unless we consent to such communication. We will take such action as we deem appropriate in our sole judgment. Trademark Owner or SBS has the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters.

### 5. **BUSINESS OPERATIONS**

#### 5.1 Franchisee's Representative to Attend Brand Certification Program

You agree that your representative will attend the initial mandatory Brand Certification Program provided to all new franchisees, as well as any other specialized Brand certification courses that we may deem necessary with regard to the needs of a particular Customer serviced by you. We may elect to provide a Brand certification for the account you are servicing or in other accounts. You further agree to operate the Franchised Business and provide service to your Customers in a manner consistent with the procedures, methods and standards established in such Brand Certification Programs, and the Brand Standards Manual and directives, as they may be adjusted from time to time. You also agree to permit us to observe and record the performance and methods of services provided by you and your employees.

#### 5.2 Quality Control Standards

You are responsible for ensuring that your business meets the customer's performance requirements and the System Standards (defined below). Accordingly, you agree to devote sufficient time and effort to your business in order to (i) comply with the provisions of this Agreement and (ii) ensure that all work and services performed by you and by your authorized agents/employees in the Franchised Business will be performed to meet, and in accordance with, the customer's performance requirements. You will determine your staffing, the number of hours an account requires, including whether your employees will work full time or part time, the time for doing the work, and the manner in which the work is completed, provided however, that all terms of the customer contract as described in the "Clean Schedule" are met. You will advise us what your hours of operation will be in order to allow us the right to inspect in accordance with this Section 5.2. We reserve the right to establish standards, methods and procedures' pertaining to the operation of your Franchised Business or this Franchise Agreement (the "System Standards"). You agree that you will be bound by the System Standards. We shall keep a current updated Brand Standards Manual of the System Standards at our company office. In the event that the System Standards kept by us differ from those kept by you, the System Standards in our company office Brand Standards Manual will be controlling. You will follow current established Stratus System Standards, as they may be amended from time to time, and agrees not to deviate there from without our prior written consent.

Realizing that quality control and uniformity are important in the Stratus System, you agree to use only such equipment, supplies, products, control forms and other business forms that we prescribe or permit, including using "Stratus" brand chemicals. We have the right to change the authorized goods and services that you may offer, but such goods and services will be related to the business of building and property maintenance, decoration, refurbishment and renovation. We will not provide you with equipment, tools, supplies, products, or forms. You will purchase and use your own equipment, tools, and will purchase your own supplies, products and forms for the operation of your Franchised Business.

In hiring your employees, you must use your best efforts to hire qualified and competent employees and must operate your business by following and maintaining the System Standards established by us through our Brand Certification Programs, Brand Standards Manual, periodic directives and updates. We are not responsible for supervising either your performance of your obligations to the Customer Contracts nor are we responsible for supervising you employees. You are solely responsible for the supervision of your employees. You acknowledge that we provide certain assistance to enable you to conduct your independent business and that your employees are not employees of ours or SBS, and shall, upon request by us, require each of your employees to sign a statement (in a form provided by us) acknowledging such fact.

You understand and agree that we may inspect any premises serviced by you at any time during regular business hours or hours when you are providing services to your Customers and upon reasonable advance notice to ensure that the quality of service being performed is in accordance with System Standards. Such inspection may not interfere with the regular business activities of you or your customers.

### 5.3 Business Records; Taxes

You further agree to keep true and accurate business records and books of accounts, which will be open to inspection by us or our duly authorized representative during regular business hours. We have the right to examine same, including any other business records as they may request. You agree to pay all personal property, sales, excise, use and other taxes, regardless of type or nature which may be imposed, levied or assessed by any federal, state, municipality, county or other government agency, which may have jurisdiction over such products, services and equipment.

### 5.4 Confidential Information

You acknowledge that the information and materials which we provide to you contain valuable Confidential Information, and you agree not to make any reproductions thereof without our prior written permission. You further agree not to disclose any information you receive from us to any third party without our prior written approval and not to disclose such information to your employees except those who have a need to know and who have agreed not to make any use of the information disclosed by signing a confidentiality agreement, attached hereto as **Exhibit D**. Said information and materials at all times remain the exclusive property of ours and will be delivered to us, including all copies thereof in your possession, at our request. You agree to use the contents in strict confidence pursuant to this Franchise Agreement, and only during the effective term of this Agreement.

You acknowledge that a violation of the terms of this Section 5.4 would result in irreparable injury to us, SBS, and the Trademark Owner for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any such conduct by you or other equitable remedies. This Section 5.4 shall survive the termination of this Agreement.

### 5.5 Managing Owner

The individual signing this Agreement for you and designated on the signature page of this agreement as the Managing Owner (which individual must have at least a fifty percent (50%) ownership), is the “Managing Owner” for the purposes of this Agreement. You acknowledge that the “Managing Owner” must be named and have your authority to bind you in any dealings with us and to direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Franchised Business. The Managing Owner will be in charge of directing the operations of your Franchised Business. No change in the Managing Owner may be made without our prior, written consent.



## 5.6 New Concepts, Processes or Improvements.

You agree that if you or any of your employees develop any new concept, process or improvement in the operation or promotion of the Franchised Business, except those developed during your conduct of your Additional Business Services, you will promptly notify us and provide us with all necessary information concerning same, without compensation. You acknowledge that any such concept, process or improvement shall become our property, and you shall take all actions necessary, at our expense, to assign such property to us or, at our request, SBS. You agree that we may utilize or disclose such information to other franchisees or SBS as it determines to be appropriate.

## 6. CUSTOMER SERVICE REQUIREMENTS

### 6.1 Equipment and Supplies

You will be responsible for acquiring and providing your own equipment and supplies for the Franchised Business. You must replace such equipment and supplies as needed and will provide all labor, other equipment, materials, tools and other supplies necessary to fulfill your Customer Contract(s), including all janitorial services called for in each customer contract. You must perform all such services in a good and professional manner, satisfactorily to the customer for whom you are performing such services. You agree to maintain a safe place of business in accordance with OSHA and other governmental and industry standards and to conduct your business in a manner that would bring goodwill to yourself, us and SBS.

### 6.2 Discontinuing Your Services to Customer

We may transfer ownership of a Customer Contract to ourselves or to another franchisee and require you to discontinue your service under such Customer Contract in the event that:

6.2.1 You have failed to perform your obligations to the Customer's satisfaction, or the Customer has lodged a complaint with us, and we have given you written notice of your failure to perform or of such complaint, and:

6.2.1.1 The Customer is not satisfied within three (3) business days from the date of delivery of such notice, or

6.2.1.2 The Customer is dissatisfied on two (2) occasions within a period of one hundred and twenty (120) consecutive days; or

6.2.2 We receive a request either written or verbal from a customer that the Customer's contract(s) be terminated or be served by a different franchisee;

6.2.3 You fail to service any Customer in a prompt manner in accordance with System Standards;

6.2.4 You desire to cease servicing a customer and has received our written consent to such cessation;

6.2.5 You sell cleaning or similar supplies to a customer outside of this Agreement, service the Customer in a capacity other than as our System franchisee (except as

permitted under this Agreement), or fail to notify us of all services performed for your Customer as required in this Agreement; or

- 6.2.6 This Agreement is terminated, you violate this Agreement or any other agreement with us, you stop being our franchisee or otherwise no longer want to service the Customer.

If you believe that we have transferred a Customer Contract from you unfairly, you have the right to submit a written request to us that we consider special circumstances. We will consider your request in good faith.

We will have no obligation to provide additional replacement customers if you reject the customer offered. Nothing contained in this Section 6 will limit any other rights held by us under this Agreement, including termination of this Agreement.

You hereby waive any and all claims, demands, or rights to payments for any services performed after the date that a Customer Contract is transferred away from you and your services to a customer are discontinued, and you further agree that you will not be entitled to any refund, rebate or reduction of any fees previously paid or promised to us in connection with your relationship with, or services to, any customer that has been discontinued pursuant to the provisions of this Section. Furthermore, we do not have any obligation to replace such customer with a new Customer Contract, except as provided above.

Multiple franchisees of the Stratus System will operate in the Territory where you do business, and you acknowledge that the consistent satisfaction of all Customers of the Stratus brand in the Territory is critical to your own success and the success of all franchisees in the Territory. Your employees and other franchisees operating in the Territory work daily in close contact with Customers and their employees in their personal work spaces and in the immediate proximity of Customers' important business equipment and confidential business records. You acknowledge that this intimate contact between your employees and your Customers makes the prompt and definitive action to address Customer dissatisfaction permitted by this Section 6.2 essential to creating and maintaining long term Customer relationships and has an impact on the goodwill associated with the Stratus Marks.

### 6.3 Protection of Customer Information

You shall use your 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 (e) security policies and guidelines of ours, all as may be amended from time to time.

## 7. FRANCHISE FEE AND OTHER FEES

You agree to pay us as follows:

### 7.1 Franchise Fee

A “Franchise Fee” of \$\_\_\_\_\_, payable in cash, certified check or wire transfer, upon the execution of this Agreement and the balance of \$\_\_\_\_\_ to be paid in thirty-six (36) equal monthly installments of \$\_\_\_\_\_ each, including interest on the unpaid principal amount at the rate of fifteen percent (15%) per annum. The first installment of principal and interest will be paid out of the first collection made by us from your account(s). Installments will thereafter be paid on the thirtieth (30th) day of each consecutive month out of the monthly collection made by us from your accounts until full payment is received. The obligation to pay the balance is evidenced by a Promissory Note, in the form attached hereto as **Exhibit B**.

### 7.2 Additional Account Fee (Account Acquisition Fee)

7.2.1 An additional account fee (“Account Acquisition Fee”) for additional janitorial Customer Contracts purchased pursuant to Section 2 of this Agreement is payable at the time such additional Contract is assigned to you in accordance with the option selected by you and consented to in writing by us on the Account Acquisition Agreement in the form attached hereto as **Exhibit C** (the “Account Acquisition Agreement”). Our consent will be evidenced by our signature on the Account Acquisition Agreement. The options set forth in such Account Acquisition Agreement are as follows:

7.2.1.1 A cash payment in full (less a ten percent (10%) discount);

7.2.2.1 A sweat equity option providing for monthly payments over a time period of less than six (6) months, as determined by us; or

7.2.3.1 A down payment of said fee at the time said Contract is assigned to you. The balance, with interest on the unpaid principal at the rate of fifteen percent (15%) per annum, paid in up to twelve (12) equal successive monthly installments commencing on the thirtieth (30<sup>th</sup>) day of the first month following the month you begin servicing the new Contract. The obligation to pay the balance will be evidenced by an Account Acquisition Agreement and/or a Promissory Note.

7.2.2 The Account Acquisition Fee will be the greater of the following:

7.2.1.2 If you purchased below the SBS-12 level, or your existing business is generating less than \$12,000 in annualized Gross Billings, the Account Acquisition Fee shall be five (5) times one month’s gross billings for such additional Customer Contract;

7.2.2.2 If you purchased at least the SBS-12 level, but lower than the SBS-24 level, or your existing business is generating less than \$24,000 in annualized Gross Billings, the additional account fee shall be four (4) times one month’s gross billings for such additional Customer Contract; or

7.2.3.2 If you purchased at the SBS-24 level or higher, or if your existing business is generating \$24,000 or more in annualized Gross Billings, the Account Acquisition Fee shall be three (3) times one month's gross billings for such additional Customer Contract;

7.2.3 Because you are operating your own business, we encourage you to identify potential new clients within the Territory to expand your business. If you identify a potential new client located within our Territory, you may solicit the potential client to become your Customer. If you successfully sign up the potential client as a Customer, there will be no Account Acquisition Fee due to us.

7.2.4 If you identify a potential new client located within the Territory to us, and you request that we assist you in signing up the potential client as a Customer, we will utilize our best efforts to solicit the potential client to become a Customer for your benefit, and you must pay us an Account Acquisition Fee up to 50% of the amount due as determined above.

7.2.5 We will also require you to sign the General Release attached hereto as Exhibit F when you sign the Account Acquisition Agreement.

### 7.3 Royalty

You agree to pay us a monthly royalty equal to five percent (5%) of the monthly Gross Billings for the preceding month, provided that the minimum monthly royalty payment will be Fifty Dollars (\$50). "Gross Billings" is defined as the total amount of all bills and invoices sent by us to each account serviced by you during a calendar month, whether the bills and invoices represent janitorial services, goods, supplies or any other services or products related to the Franchised Business. Any sales taxes paid to appropriate tax authorities, any monies billed but uncollected, and any revenue from Additional Business Services shall be excluded from Gross Billings.

### 7.4 Administration Fee

You agree to pay us a monthly administration fee of ten percent (10%) of your Gross Billings for the preceding month. There is no refund or rebate of any portion of the administration fee.

### 7.5 Business Insurance Fee

If you elect to participate in our optional Business Insurance Program, a fee will be deducted from your monthly Gross Billings for the preceding month. Although this fee may fluctuate based upon the costs of insurance to us and other factors, it is currently five percent (5%) of gross monthly revenues.

### 7.6 Isolated Cleaning Services

Special or isolated cleaning services are one-time non-recurring contracts such as carpet cleaning and extraction, floor stripping and refinishing or initial cleaning, etc. These services will not be included in your monthly Gross Billings; instead, they will be reported and invoiced separately. Each time you perform an isolated or special service, we are entitled to deduct a ten percent (10%) fee from the Gross Billings for such services in addition to the normal royalty, administration, advertising and insurance fees; provided, however, that you shall not be required to pay such ten percent (10%) fee for such services, if your provision of such services is the direct result of your solicitation of the customer for providing such

isolated or special services. In each case, you will be responsible for providing all equipment, supplies and labor for special and isolated services. If you acquire such work on your own and work is done in an account that is not already our account, or is an account already serviced by you, this fee is waived; however, royalties, administration, advertising and insurance fees still apply. Isolated cleaning services shall not be Additional Business Services hereunder.

#### 7.7 Bid and Negotiation Fee

You may request our services to help bid and negotiate a contract for cleaning services with a prospective customer. If a contract is secured after we have helped bid and/or negotiate the contract, an Account Acquisition Fee (or a partial fee) will be due to us.

#### 7.8 Customer Contract Transfer Fee

You may request to transfer out of a Customer Contract at any time. Because the transfer of a Customer Contract destabilizes the Customer relationship, you will be charged a Fifty Dollar (\$50) administration fee to us to handle the administrative costs related to transferring the Customer Contract, in addition to a Customer Contract transfer fee equal to ten percent (10%) of the monthly billing under such Customer Contract, or a minimum of One Hundred Dollars (\$100).

#### 7.9 Customer Contract Cancellation Fee

If a Customer cancels a Customer Contract after experiencing performance issues, such as service problems, theft, failure to service on scheduled service dates, or a Customer-requested change in franchisee, we and you both suffer a financial loss, and there is damage to image to the reputation of the Stratus System. Accordingly, you will be charged a "Cancellation Fee" equivalent to fifty percent (50%) of one month's gross billing on the first Customer Contract lost, seventy five percent (75%) of one month's gross billing on the second Customer Contract lost, and one full month's gross billing on every Customer Contract lost thereafter in a 12-month period of time, in addition to any other fees that may apply hereunder. In addition, for each Customer Contract lost, you will be charged a Fifty Dollar (\$50) administrative fee, a Seventy-Five Dollar (\$75) complaint fee, and any other fees that may apply hereunder.

#### 7.10 Refunds

We have no obligation to refund any portion of any payment made under this Agreement, unless and to the extent that, within the period of time allowed by Section 2 hereof, we fail to offer initial Customer Contracts with a value of \$\_\_\_\_\_ in gross annual billings, in which event we will refund a portion of the initial franchise fee equal to the difference between the Franchise Fee for the Franchise Plan originally contracted for in Section 2 of this Agreement and the Franchise Fee for the actual Franchise Plan that is provided.

If at the time of the refund, you are indebted to us pursuant to a promissory note given in payment of all or a portion of the initial franchise fee, the refund will be applied to payment of the note, up to the whole thereof, before the balance (if any) of the refund is paid to you.

## **8. ADVERTISING AND PROMOTION**

### **8.1 Advertising Fee**

No advertising fee is assessed currently, although we reserve the right to charge such a fee. If we, in our sole discretion, decides to charge an advertising fee, we may do so upon thirty (30) days written notice to you. In no event will an advertising fee exceed one percent (1%) of your Gross Billings for the preceding month. Proceeds from the advertising fee will be used for marketing, advertising and promotional activities in the Territory, as well as to pay the administrative costs relating to the collecting and accounting of the fee and such activities. You are encouraged to independently advertise and promote the Franchised Business and the Additional Business Services.

### **8.2 Promotional Items**

You shall prepare and distribute to Customers business cards and badges, displaying the Marks, in promotion of your Franchised Business. All business cards and badges must prominently display, in bold, that you are an “Independent franchisee of Stratus Building Solutions” or that your employee is “Employed by an independent franchisee of Stratus Building Solutions.” If you obtain, bill, and collect Customer Contracts on your own and/or provide Additional Business Services, you shall also prepare and distribute to customers your own business cards and badges (without use of the Marks, and indicating that you are an independent business) to promote such services.

## **9. KEYS AND SECURITY**

You are responsible for all keys to customer's premises and shall observe all security systems and precautions necessary or required at the customer's premises. If services to a customer are discontinued for any reason, or if this Agreement is terminated for any reason, you agree to return all keys and security codes and cards immediately. Failure to return any such item for any reason or failure to comply with any of the provisions of a customer's contract for janitorial or maintenance services will constitute a breach of this Agreement by you.

## **10. INDEPENDENCE OF YOUR BUSINESS**

You must be a business entity (not an individual) that has your own employees. You must hire all employees used in the operation of the Franchised Business (including without limitation any of your owners working in the Franchised Business) and must comply with all federal, state and local laws and regulations related to the operation of an entity.

You acknowledge and agree we and you are independent businesses, and you have day-to-day control over your business activities, and must make operational, strategic and other business decisions, subject to your compliance with the terms of this Agreement. You are an independent contractor in business for yourself, and have no right or interest in, or authority over us or any of our property or business. You are free to conduct your business as you may deem best in providing the services to the customer, independently of the supervision, management and control of us, provided that you agree 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 must at all times have at least one person actively involved in the management of your Franchised Business, which must be your majority owner.

You shall be solely responsible for all employment decisions and employment functions related to the Franchised Business and any Additional Business Services, including, without limitation, those related to hiring, firing, scheduling (subject to customer preferences or requirements), establishing remuneration, personnel policies, benefits, disciplining, supervising, and recordkeeping, regardless of whether you received advice from us on these subjects. You acknowledge and agree that you have sole control over which Customer Contracts you wish to accept and the strategy and method of business expansion and acquisition (if any) of any additional Customer Contracts or other Customers.

You are not, and will not hold yourself out as, an agent, representative, employee, officer, director, partner, owner, or affiliate of ours or SBS. Except as expressly provided herein, it is further agreed that you have no authority to create or assume in our or SBS' name, or on behalf of us or SBS, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of us or SBS for any purpose whatsoever. In no event will either party be deemed to be fiduciaries of the other.

You 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 your 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 your owners. You shall also withhold from employees' pay, and pay when due, taxes and premiums for unemployment and workman's compensation insurance for yourself and all your employees, as required by state, federal or other law.

**YOU ACKNOWLEDGE THAT YOU ARE AN INDEPENDENT BUSINESS AND NEITHER YOU NOR ANY OF YOUR OWNERS, MEMBERS, SHAREHOLDERS, OFFICERS, EMPLOYEES, OR OTHER AFFILIATED INDIVIDUALS ARE EMPLOYEES OF OURS OR SBS, AND HAVE NO RIGHT TO THE BENEFITS OF EMPLOYMENT FROM US OR SBS.**

## **11. INSURANCE**

You are responsible for all losses, damages to property, or injuries to persons arising out of or connected with the performance or non-performance of your services to customers, including any claimed damages for breach of security. You must obtain Fidelity bonding theft insurance in an amount not less than \$50,000. You further agree that you will acquire and properly maintain workers' compensation insurance as required by law for yourself and/or all of your employees and comply with all state and federal laws to maintain a proper unemployment insurance account. You further agree to maintain comprehensive liability and property damage insurance covering property damage, loss and personal injury in amounts not less than \$1,000,000 per occurrence, \$2,000,000 in the aggregate. All such policies must name us and SBS Franchising as additional insured and contain a Grantor of Franchise endorsement. You also agree that your comprehensive liability insurance will not contain exclusion for property in our care, custody, and control.

You must maintain comprehensive automobile insurance including, personal injury protection and uninsured motorist on all vehicles operated for your business.

You further agree that all such insurance policies maintained by you be written by an insurance company (companies) in good standing and in compliance with all state and federal insurance laws and insurance regulatory agencies with an A.M. Best rating of A or higher. You shall provide us with thirty (30) days' written notice prior to the cancellation or termination of any insurance policy as defined herein.

You shall provide us with proof of coverage prior to you commencing work on any Customer Contract. If you fail to obtain any or all insurance as specified herein and approved by us, we may (but are not required to) purchase such insurance for the benefit of you and you agree to forthwith reimburse us for the cost thereof. Types and amounts of insurance required to be procured by you may be modified from time to time by us, in our sole discretion, by written notice to you through modification of System Standards, policies and procedures or other reasonable manner.

You may participate in the optional Business Insurance Program which provides general liability insurance and bonding to us and our participating franchisees. The cost of such liability insurance and janitorial bonding plan provided will include, in addition to the premium, a management fee, service charge, and profit as determined by us.

You are responsible for obtaining all insurance required by this Agreement whether or not you choose to participate in the optional Business Insurance Program. All policies of insurance, whether obtained through the Business Insurance Program or not, must name us and SBS as additional insureds or additional loss payee as appropriate and must contain a Grantor of Franchise endorsement.

## **12. BUSINESS RISK**

You acknowledge and agree that you want to acquire rights in a franchised business and to operate as a franchisee and not as an employee of ours or of SBS. You accept the risks of owning an independent business.

\_\_\_\_\_  
Initials

You, as an independent business entity, recognize that there are economic and other hazards in connection with the operation of any business, including the type contemplated pursuant to this Agreement. Success, whether financial or otherwise, is not guaranteed by us, even though you may follow or rely on our advice, recommendations, programs or policies.

\_\_\_\_\_  
Initials

You acknowledge that you have made an independent investigation of this business. You acknowledge that we have not made any representation, warranty, or other claim regarding the operation of any Franchised Business opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely on those evaluations in deciding to enter into this Agreement.

\_\_\_\_\_  
Initials

You acknowledge that you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards for each franchised business, and to protect and preserve the good will of the Marks.



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Initials

You acknowledge that you have not received from us or SBS, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income or profits of a Franchised Business.

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Initials

### **13. INDEMNITY**

You are responsible for all losses, damages, judgments, liabilities, claims, injuries, costs and expenses arising directly or indirectly, out of or connected with the performance or non-performance of your services to your customers, including any claimed damages for breach of security.

You agree to defend, hold harmless and unconditionally indemnify Trademark Owner, SBS, and us, and our and their shareholders, directors, officers, employees, affiliates, agents and assignees, and other Stratus franchisees (each, an “Indemnified Party”) from all loss or damage arising from any liability, demands, claims, costs, obligations, suits, damages, and expenses, including reasonable attorneys' fees and related expenses (including without limitation appellate, post-judgment legal proceedings), which such Indemnified Party may at any time suffer or sustain, or become liable for any reason, or any loss, damage or injury to persons or property of any Indemnified Party or both, arising out of, or related to your ownership or operation of your Franchised Business, any act or failure to act, or as a result of failure to perform services, or negligence or misconduct in the performance of services, or violation of the provisions of this Agreement, by you or any of your agents, employees, contractors, representatives, partners, officers, directors, and shareholders. Examples of claims covered by this indemnity include claims relating to your maintenance or operation of motor vehicles; your being characterized as an employee of us or SBS by any federal, state, or local court or agency; and your failing to act as an independent business owner or failing to pay any income, unemployment, or payroll tax or file any related return, or otherwise defaulting under Section 11 hereof. You will not have to indemnify us to the extent that such loss or damage directly result from the gross negligence or willful misconduct of us. This indemnity will continue in full force and effect notwithstanding any expiration or termination of this Agreement.

### **14. TERMINATION**

#### **14.1 Termination By Us**

This Agreement may be terminated by us upon your default. In no event will such termination relieve you from any of your obligations already incurred by this Agreement. A default is any of the following:

- 14.1.1 Your failure to perform your obligations pursuant to this Agreement or any breach by you of this Agreement or any other agreement between us and you, including without limitation payments under any promissory note issued hereunder.
- 14.1.2 One or more discontinuances of a Customer Contract pursuant to Section 7 of this Agreement.

- 14.1.3 Your insolvency, the adjudication of you as bankrupt, your Franchised Business coming into possession or control, even temporarily, of any trustee in bankruptcy or appointed receiver, the making of a general assignment for the benefit of creditors or the inability of you to pay your debts as they become due.
- 14.1.4 Your attempt to assign this Agreement, or any right or obligation hereunder, or make any transfer or assignment in violation of Section 17 hereunder without first securing our written consent upon thirty (30) days written notice to us.
- 14.1.5 Your abandonment of your Franchised Business.
- 14.1.6 Your use of abusive, violent, threatening, or harassing language or behavior toward clients or regional office staff and any behavior that is considered detrimental toward the Stratus brand.
- 14.1.7 Your conviction of a felony or of any other crime that impairs the goodwill associated with the Marks or System.
- 14.1.8 Your theft from any account serviced.

If a default results from an event described in Sections 14.1.1, 14.1.2, or 14.1.4 of this Section 14, termination shall occur ten (10) days following written notice of said default from us to you if you have failed to cure said default by then, except as may otherwise be required by applicable law. If the default results from an event described in Sections 14.1.3, 14.1.5, 14.1.6, 14.1.7, or 14.1.8, termination shall occur immediately without notice or opportunity to cure, except as may otherwise be required by applicable law.

Upon expiration or termination of this Agreement for any reason (including without limitation Section 14.2 hereof), you shall immediately pay to us in full all amounts due thereunder through the date of termination, cease use of the Marks and other property as provided in Section 4.2 of this Agreement, comply with Section 5.4 hereof, return to us the copy of the Brand Standards Manual we loaned you for use during the term of this Agreement and not retain any copy thereof, and cease doing business as required by this Agreement. The termination of this Agreement will be without prejudice to any remedy or cause of action which we may have against you for the recovery of any monies due to us or equipment or property of ours, or any other right of us to recover damages for any breach hereof.

If you fail to comply with the provisions of this Section 14 or of Section 4, we may execute, in your name and on your behalf, any and all documents necessary to cause the discontinuance of your use of the names and Marks granted you under this Agreement. You hereby irrevocably appoint us as your attorney-in-fact to do so.

All of your rights and entitlements under this Agreement survive your termination or expiration, and we do not waive or release any rights we have to enforce this Agreement by acknowledging or accepting such termination or expiration. The termination or expiration of this Agreement does not relieve you from any of your obligations under this Agreement, whether incurred, discovered or vested before or after such termination or expiration. Similarly, your obligations under this Agreement survive any termination or expiration of this Agreement.

## 14.2 Termination By You

You may terminate this Agreement, upon written notice to us, if you are in compliance with the Franchise Agreement and we fail to substantially perform our material obligations pursuant to this Agreement after you have provided written notice to us of the nature of any alleged breach of such material obligations hereunder and provided us at least sixty (60) days to cure any such breach (or such longer period of time as necessary if such breach cannot reasonably be cured in such sixty-day period). Termination shall occur sixty (60) days following written notice of said default from you to us upon your written notice of such termination to us, if we have failed to cure said default by then. You acknowledge and agree that, in the event of any such termination, you shall not be entitled to any refund of any monies paid to us and shall not have any claim for money damages against us. We agree to comply with all post-termination obligations, including but not limited to those post-termination obligations described in Sections 4.2, 5.4, 13, and 16 hereof. Your termination of this Agreement for any other reason or without such notice will be deemed null and void.

## 14.3 Termination or Expiration of Master Franchise Agreement

You acknowledge and agree that, on any termination for cause or expiration of the Master Franchise Agreement between us and SBS, SBS has the right, but not the obligation, to assume the rights and obligations of any or all unit franchise agreements. If the Master Franchise Agreement between us and SBS is terminated, for any reason, and SBS does not assume the rights or obligations under this Agreement or designate a new franchisor to be responsible for the Territory (with such franchisor assuming our rights and obligations hereunder), this Agreement is subject to immediate termination, and neither we nor SBS will have any obligation or liability to you with respect to such termination, provided that we may elect to continue to service existing franchisees under outstanding agreements at its sole option.

## 15. **TERM**

This Agreement remains in full force and effect for a period of twelve (12) years from the date of execution unless sooner terminated as hereunder provided (the “Initial Term”). Upon the expiration of the Initial Term of this Agreement, you will have no further rights in the franchise or the Agreement unless we and you execute a written renewal agreement for a period of twelve (12) years (the “Extended Term”), which agreement will be on the same terms and conditions as we are then granting renewal of new franchises in the Territory, except that there will be no payment of any additional franchise fee or renewal fee for such Extended Term. The franchise rights will be renewed if you:

15.1 Gives us written notice of intent to renew at least one hundred and eighty (180), but not less than sixty (60) days prior to the date of expiration of the Initial Term or any Extended Term;

15.2 Execute the renewal Agreement at least thirty (30) days prior to date of expiration;

15.3 Execute the General Release, attached hereto as **Exhibit F**, upon execution of the renewal agreement;

15.4 Are not in default of this Agreement on the date of giving notice, the date of execution of the renewal agreement, or the date of expiration of the Initial Term or any Extended Term; and

15.5 Update all equipment and supplies to then-current system standards for new franchisees.

Whenever the word “term” is used in this Agreement, the word means the Initial Term, the Extended Term, or both, as the context requires. Upon termination, for any reason, of the Initial Term or the Extended Term, we will have no obligation to repurchase the franchise from you.

## **16. NON-SOLICITATION OF CUSTOMERS**

You acknowledge and agree that, if you were to solicit or otherwise induce your Customers serviced under the Marks and the System to be serviced by you or a third party (other than as a franchisee operating under the Marks and the System), we would be unable to protect the System and our Confidential Information against unauthorized disclosure and use, and could not protect the other franchisees operating under the System.

Accordingly, during the term of this Agreement and for a period of two (2) years from the date of expiration or termination of this Agreement for any reason and within (a) the Territory and (b) a distance of twenty (20) miles from the Territory, you agree that neither you, your affiliates nor any of your owners will:

16.1 divert, solicit, or attempt to divert or solicit, any business or customer of us, your Franchised Business, or any other franchisee of ours, or

16.2 provide commercial cleaning and maintenance services to any business or Customer (a) who is currently serviced by you, any other franchisee, or other person under the System and the Marks under this Agreement or (b) who has been serviced by you, any other franchisee, or other person under the System and the Marks under this Agreement within the previous eighteen (18) months; or

16.3 perform any act injurious or prejudicial to the goodwill associated with the Marks.

This Section 16 does not prevent you from otherwise engaging in competitive activities, such as (a) providing cleaning or related services to customers who have not been serviced by you, any other franchisee, or any other person under the System and the Marks in the previous eighteen (18) months, or (b) offering to any customers, including customers otherwise serviced by you, any other franchisee, or any third party under the System and the Marks, services other than janitorial, cleaning, or maintenance services; provided, however, that in performing these other services, you will not represent yourself as a franchisee under the System and the Marks.

Notwithstanding any other provision hereof, we and you agree, for purposes of promoting your Additional Business Services, you shall have the right, during the term of this Agreement to solicit customers of the Franchised Business in accordance with Section 2.4 of this Agreement.

You acknowledge that a violation of the terms of this Section would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any such conduct of you or other equitable remedies. If any provision of this Agreement (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed, and this Agreement modified to the extent necessary to render it valid and enforceable.

## 17. ASSIGNMENT

### 17.1 Our Right to Assign Our Rights

We may, without your consent, assign our rights and duties under this Agreement to another party, provided that the party to whom the rights and obligations are assigned, at the sole discretion of ours, is capable of performing, and agrees in writing to perform the obligations and duties of ours.

### 17.2 Your Right to Assign Your Rights

17.2.1 This Agreement will inure to the benefit of the successors and assigns of you. The interests of you in this Agreement are personal and may not be sold, assigned, transferred, shared or divided in any manner by you, and any ownership interest in you may not be transferred, and no assets of you relating to the Franchised Business may be sold or transferred, without the written consent of ours, which consent will not be unreasonably withheld and be given or refused within thirty (30) days of receipt by us of written notice of such proposed transfer.

17.2.2 You shall provide to us, prior to the sale or transfer, a copy of any additional information which we may require in order to determine if we will grant our consent to the proposed sale or transfer, which consent may be withheld in our sole discretion if the proposed transferee does not meet the qualifications then established by us for new franchisees. In addition to the requirements of this Section 17.2.2 below, it is agreed that consent for sale, transfer or assignment will be granted only when all obligations of you, including all of your debts, are paid at the time of the sale or transfer, you pay a transfer fee to us equal to five percent (5%) of your yearly Gross Billings of the Customer Contract(s) being transferred/sold (with a minimum transfer fee of \$750), the buyer agrees to undergo the Brand Certification Program required of a new franchisee and the transferee agrees to execute a Unit Franchise Agreement of the type then being used by us, however, the new agreement with the transferee will have the same expiration date as the original franchise agreement and not require the transferee to make greater payments to us than those required of you under this Agreement. If such conditions are fulfilled and the thirty (30) day notice period has passed, our consent will be deemed to have been granted for the proposed transfer. There is no transfer fee if you transfer your franchise rights to an immediate family member or to a corporation or company which such family member wholly owns. We may withhold written consent in the event that you are in default under the terms of this Agreement or any other agreement with us until said default is cured.

17.2.3 If your owners transfer or sell ten percent (10%) or more of the stock, if it is a corporation, limited liability company, or partnership, or a ten percent (10%) or greater interest in the ownership of you (except to immediate family members), then you agree to pay us a transfer fee based on the sales price of such ownership interest. The sale price will be defined as monies received, monies to be received, stock, real estate or any other form of redeemable or hard assets received in consideration for the transfer or sale of the ownership interest in you. This transfer fee shall be equal to ten percent (10%) of all amounts received from the sale. The transfer fee is due and payable upon the sale or transfer. You also agree to provide, as a condition of our approving the sale or transfer, as a personal covenant to the

purchaser, in addition to the covenant contained in this Agreement, an agreement for the seller not to provide any commercial cleaning and maintenance services to any business or Customer as described in Section 16.1.2 of this Agreement, nor to seek to divert business from us or our other franchisees for a period of one (1) year after the transfer or sale. Any transaction or series of transactions which would have the effect of transferring ten percent (10%) or more of the ownership of you must be approved by us on the same basis as any other sale or transfer as set forth herein.

17.2.4 Prior to the transfer, the transferor you must also execute a general release, attached hereto as **Exhibit F**, of any and all claims against us and SBS Franchising, and their parent corporation and affiliated corporations, and the officers, directors, shareholders and employees of ours and SBS Franchising, and each parent and affiliate corporation in their corporate and individual capacities, including, without limitation, claims arising under this Unit Franchise Agreement and federal, state and local laws, rules and ordinances.

### 17.3 Effect of the Death or Disability of an Owner

17.3.1 Upon the death of any person with an ownership interest in you (the “Deceased”), the executor, administrator or other personal representative of the Deceased must transfer such interest to a third party approved in writing by us within six (6) months after the death of the deceased. If no personal representative is designated or appointed by will or trust, or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased. The exception would be the transfer to a spouse or immediate descendant of the Deceased, which would be deemed to be approved by us. However, any Managing Owner must be approved by us whether or not such Managing Owner is a spouse or immediate descendant of the Deceased.

17.3.2 Upon the permanent disability of any person with an ownership interest in you, we may, in our sole discretion, require such interest to be transferred to a third party approved by us within six (6) months after notice to you. “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 Franchise 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 will be determined by a licensed practicing physician selected by us 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 for the purpose of this Subsection.

17.3.3 In the event of the death or permanent disability of any person with an ownership interest in you, we at our option may elect to operate the Franchised Business during the interim six (6) months following such death or the interim six (6) months following such permanent disability, as applicable, until the interest of you is

transferred in accordance with this Subsection or until the applicable interim period expires, whichever comes first. We shall account for all proceeds from you less all costs of operation. As compensation for managing your Franchised Business, we will charge a reasonable monthly management fee which will be in addition to the royalty fees, advertising fees and any other fees or payments due and owing to us. We shall utilize our best efforts in managing your Franchised Business, but will not be liable for any losses incurred.

17.3.4 Upon the death or claim of permanent disability of any person with an ownership interest in you, you or a representative of yours must promptly notify us in writing of such death or claim of permanent disability. Any transfer upon death or permanent disability will be subject to the same terms and condition as described in this Section, provided, however, that in the event of the death or permanent disability of any individual with an ownership interest in you, no fee will be imposed for a transfer to the spouse or direct descendent of that individual. Transfer fees will be imposed if the transfer is to a non-related third party. If an interest is not transferred upon death or permanent disability as required in this Subsection and in accordance with the terms and condition of this Section, we may terminate this Franchise Agreement.

## **18. GUARANTEE**

You acknowledge that all partners, owners and shareholders of yours are listed on the signature pages hereto and are obligated to execute this Agreement to guarantee the payment of all sums which may from time to time become due to us under this Agreement and to agree to be bound by all of the terms, covenants and conditions of this Agreement hereof. Such partners, owners or shareholders also agree to execute any Promissory Notes and Personal Guarantees as requested by us.

## **19. AMENDMENT**

This Agreement may not be modified, altered or amended except in writing, and executed by all the parties hereto. No failure to act by us will be considered a waiver or amendment to any provision of this Franchise Agreement.

## **20. CAPTIONS**

The captions used in this Agreement are inserted as a matter of convenience. The text of any Section of this Agreement controls its interpretation.

## **21. SEVERABILITY**

If any provision hereof is found by a trier of fact, for any reason, to be illegal or unenforceable, then the validity of the remaining portions, terms, or provisions will not be affected; the illegal portion, term or provision will be deemed not to be part of this Agreement, and this Agreement will be construed as if such provision had never been part of the Agreement.

## **22. SUCCESSORS**

This Agreement will bind, and inure to the benefit of the executor, personal representative, administrator, heirs, successors and assigns of each of the parties.

**23. ENTIRE AGREEMENT**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we have made in the franchise disclosure document that we furnished to you.

We acknowledge that you are entering into this Agreement as a result of your own independent investigation of the franchised business offered under this Agreement and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

**24. NOTICE**

Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand or confirmed email, one (1) business day after transmission by facsimile, telegraph or other electronic system; three (3) days after deposit in the United States mail, via registered or certified mail, return receipt requested; or one (1) business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

**If to Master Franchisee:**

MASTER FRANCHISEE NAME  
d/b/a Stratus Building Solutions of AREA  
ADDRESS  
CITY STATE ZIP  
Fax: \_\_\_\_\_  
Email: \_\_\_\_\_@stratusclean.com

**If notice is to be given to you, such notice shall be sent to:**

YOUR COMPANY NAME  
Attn: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
Fax: \_\_\_\_\_  
Email: \_\_\_\_\_

The address hereby given for the service of notice may be changed at any time by either party through written notice to be given to the other as provided herein, and the manner in which notice required or permitted hereto may be changed at any time upon mutual written agreement.



## 25. DISPUTE RESOLUTION

### 25.1 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, we agree to try to resolve, first through mediation, any and all disputes, controversies or claims that may arise between them concerning or relating to this Agreement, its performance, and the relationship between us and you. Except as provided in Section 5.4 and Section 16 hereof or relating to controversies arising from the Marks, either party shall submit any such, dispute, 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 under this Agreement to interpret or enforce this Agreement.

### 25.2 Arbitration

The parties hereto agree that, except for disputes, controversies, or claims related to or based on improper use of the Marks or in connection with Sections 4.4 or 16, and except for mediation otherwise required in Section 25.1 hereof, all controversies, disputes, or claims between you 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 (1) this Agreement or any other agreement between you and us; (2) our relationship with you; (3) the validity of this Agreement or any other agreement between you and us or the validity of the parties actual agreement to arbitrate under this Agreement; or (4) 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.

25.2.1 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 25.5 below, award any damages against either party.

25.2.2 You and we agree that any such dispute, controversy or claim between us and you must be submitted to arbitration no later than one (1) year after it has arisen, and that if it is not so submitted, the parties 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.

25.2.3 We and you agree that any mediation or arbitration will be conducted on an individual, not a class-wide, basis and that a mediation and/or arbitration proceeding between us and your affiliates, and your 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 mediation and/or arbitration proceeding between us and any other person. No party shall initiate or participate in any class action litigation claim against any other party bound hereby.

25.2.4 Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction.

25.2.5 The provisions of this Section 25 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.

25.2.6 Limitation of Parties. We, you and your 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. We and you 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.

### 25.3 Governing Law and Venue

This Agreement is governed by [STATE] law, except to the extent this Agreement or any dispute is governed by the Lanham Act or other federal law. Except as described in Sections 25.1, 25.2 and 26 hereof, 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 shall be in the federal or state courts situated in the [STATE] county located closest to Franchisor's headquarters, and you (and your principals) hereby consent irrevocably to the exclusive jurisdiction of such courts.

### 25.4 Attorney's Fee and Costs

If we incur legal fees or other expenses as a result of any breach by you of your obligations under this Agreement, then we will be entitled to recover from you 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.

#### 25.5 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 US, SBS, OUR AND THEIR AFFILIATES, AND OUR 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 YOU AND PRINCIPALS, IF ANY, AGREE THAT IN THE EVENT OF A DISPUTE, YOU AND EACH PRINCIPAL IS LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.**

#### 25.6 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.**

#### 25.7 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 YOU AND YOUR PRINCIPALS ON THE ONE HAND, AND US AND OUR PRINCIPALS AND SBS AND ITS PRINCIPALS ON THE OTHER HAND.**

#### 25.8 Third-Party Beneficiary

We and you agree that SBS Franchising is a third-party beneficiary of all dispute resolution provisions of this Section 25 and any claims arising from the Franchise Agreement and relationship between us and you against SBS Franchising will be conducted in accordance with the terms of this Section 25.

#### 25.9 Survival

All provisions of this Section 25 shall survive termination or expiration of this Agreement.

## 26. INJUNCTION

You explicitly affirm and recognize the unique value and secondary meaning attached to the System and the Marks. Accordingly, you agree that any non-compliance by you with the terms of this Agreement, or any unauthorized or improper use of the System or the Marks by you, will cause irreparable damage to us, SBS, Trademark Owner, and other Stratus Building Solutions franchisees. You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or the Marks, during or after the period of this Agreement, we will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions. No bond is required for the issuance of a temporary restraining order or preliminary injunction, and you expressly waive the imposition of any bond for that purpose.

## 27. YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

### 27.1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that:

1. You are organized under the laws of the state of its principal place of business (or another state which you have identified to us) and is in good standing with and qualified to do business in each state and political/ governmental subdivision having jurisdiction over the Franchised Business.

2. You have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

3. You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

4. As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or owners (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use its assets, properties or rights to carry on its business; and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

5. Neither you nor any of your owners are a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

6. All your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

## 27.2 Your Acknowledgments

You acknowledge, warrant and represent to us that:

1. No representation has been made by us (or any of our employees, agents or salespersons) and relied on by you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the Franchised Business, or any other Stratus enterprise.

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(Initial Here)

2. No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding our anticipated income, earnings and growth or that of the Stratus Building Solutions franchise system, or the viability of the business opportunity being offered under this Agreement.

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(Initial Here)

3. Before executing this Agreement, you have had the opportunity to contact any and all of our existing franchisees.

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(Initial Here)

4. You have had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisers (if you so elect) of your choosing. You have been advised to consult with your advisers with respect to the legal, financial and other aspects of this Agreement, the Franchised Business, and the prospects for that Franchised Business. You have either consulted with these advisors or has deliberately declined to do so.

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(Initial Here)

5. You have received from us a copy of our Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least ten business days (and fourteen calendar days) before the execution of this Agreement or at least ten (10) business days (and fourteen (14) calendar days) before the payment by you to us of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

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(Initial Here)

6. No representation or statement has been made by us (or any of our employees, agents or salespersons) and relied on by you regarding your ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the Franchised Business.

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(Initial Here)

7. You affirm that all information set forth in all applications, financial statements and submissions to us are true, complete and accurate in all respects, and you expressly acknowledge that we are relying on the truthfulness, completeness and accuracy of this information.

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(Initial Here)

8. Attached hereto as **Exhibit E** is a Franchise Compliance Certificate. You have received the Certificate and answered the questions thereon, relating to representations that have or have not been made to you. You have initialed and executed the Certificate voluntarily and attached it hereto.

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(Initial Here)

9. You understand and agree that we may operate and change the System and our business in any manner that is not expressly prohibited by this Agreement. Whenever we have the right within this Agreement to take or withhold action or to grant or decline to you the right to take or withhold action, we may make such a decision on the basis of our business judgment of what is in our best interests and those of the System and the franchise network, without regard to whether other reasonable alternative decisions exist or whether our decision adversely affects you. Absent applicable statute, we shall have no liability for such a decision, and you agree that our decision will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, you agree that such a covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

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(Initial Here)

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first written above.

MASTER FRANCHISEE COMPANY NAME

d/b/a Stratus Building Solutions of AREA

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_  
\_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

SHAREHOLDERS, OWNERS OR PARTNERS

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Social Security Number or Federal  
Employer Identification Number

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Social Security Number or Federal  
Employer Identification Number



\_\_\_\_\_

Name of Managing Owner: \_\_\_\_\_

# FRANCHISE AGREEMENT

## EXHIBIT A THE MARKS

### Registered Marks

| Trademark  | Registration Number    | Registration Date        |
|--|------------------------|--------------------------|
| <b>STRATUS BUILDING SOLUTIONS</b>  | 3,230,289              | April 17, 2007 (renewed) |
| <b>STRATUS BUILDING SOLUTIONS</b>  | 5,811,443              | July 23, 2019            |
| <b>STRATUS</b>   | 5,296,290<br>5,296,293 | September 26, 2017       |
| <b>STRATUS (&amp; Design)</b><br>                     | 5,441,491<br>5,441,492 | April 10, 2018           |
| <b>STRATUS BUILDING SOLUTIONS (&amp; Design)</b><br> | 6,128,579              | August 18, 2020          |
| <b>STRATUS CLEAN</b>   | 6,853,352              | September 20, 2022       |



# FRANCHISE AGREEMENT

## EXHIBIT B PROMISSORY NOTE

City                     

\$ \_\_\_\_\_, 20\_\_

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ (“Franchisee”) and the owners of Franchisee executing this Note (“Owners”), jointly and severally, promise to pay to the order of **COMPANY** d/b/a Stratus Building Solutions **AREA** (“Franchisor”) or at such other place or to such other party or parties as a holder of this Note may from time to time designate, in lawful money of the United States of America, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) with interest from the date hereof at the rate of Fifteen Percent (15%) per annum on the unpaid balance of said principal sum until paid.

The undersigned further promise to pay that principal sum and interest in installments as follows:

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_) on \_\_\_\_\_ or on the first collection from Franchisee’s Customer Contract(s) and \_\_\_\_\_ successive monthly installments of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars, each on the same day of each succeeding calendar month until all such payments have been made, on which date the entire balance of principal and interest unpaid shall be due and payable.

This note may be prepaid without penalty.

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

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

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

1. The failure to pay when due any installment of the principal and interest of this Note.
2. The failure to timely keep or properly perform any of the recitals, covenants, conditions, representations, warranties, obligations or guarantees contained in any agreement between the Franchisor and Franchisee.
3. The levy of any attachment, execution, or any other process against all or any part of the assets of Franchisee.
4. The failure to pay, withhold, collect, remit any tax or tax deficiency when assessed or due.
5. The suspension of the business of Franchisee, or the making of a general assignment for the benefit of creditors, or the commencement of proceeding for dissolution or liquidation, or the commencement of

proceeding under any bankruptcy, insolvency, readjustment, or debt or liquidation under law of any statute of the federal or state governments, or the adjudication as bankrupt or insolvent, or the involuntary appointment of a receiver, or applications therefore, or the making of a bulk sale or the giving of notice of intention to do so.

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

In the event an attorney and/or a collection company is employed by the holder of this Note to enforce any of its terms, Franchisee and Owners, jointly and severally, shall pay reasonable costs and attorneys'/collection fees in connection therewith, and such amount shall be secured hereby.

This Note is to be construed in accordance with the laws of the State of                     .

Name of Franchisee:

Owner of Franchise:

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Social Security Number or EIN

\_\_\_\_\_  
Social Security Number

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Social Security Number

**FRANCHISE AGREEMENT**  
**EXHIBIT C**  
**ACCOUNT ACQUISITION AGREEMENT**



# ACCOUNT ACQUISITION AGREEMENT

Date: \_\_\_\_\_ Acquisition Type: New TT FR OR Monthly Billing: \$ \_\_\_\_\_

CUSTOMER NAME: \_\_\_\_\_ Days of Service: S M T W T F S

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP: \_\_\_\_\_

FORMER FRANCHISEE: \_\_\_\_\_ Last Day of Service: \_\_\_\_\_

NEW FRANCHISEE: \_\_\_\_\_ First Day of Service: \_\_\_\_\_

The undersigned Franchisee acknowledges receipt of and accepts responsibility for all duties, services and keys for the above-named Customer account and the related cleaning contract. Franchisee agrees to adhere to the cleaning schedule and all other parts of the cleaning agreement and to perform services to STRATUS standards. Franchisee is responsible for the safekeeping of the Customer's keys and alarm codes. Should any keys or codes be lost or not returned upon request, replacement charges will be the responsibility of the Franchisee. Additional penalties may apply as outlined in the Stratus Procedures Manual. These charges will be withheld from the next Franchisee Monthly Statement. Franchisee acknowledges that Franchisee has not received representations or claims from any source regarding the profitability or propriety of the above-named Customer. Franchisee has engaged in its own due diligence with respect to the pricing, general terms, parties, duties, and proposed services related to the above-named Customer. Based on such due diligence alone, Franchisee has determined that accepting such Customer Contract is in the best interest of its business.

Keys transferred from: \_\_\_\_\_ Number of Keys: \_\_\_\_\_

$$\begin{array}{r}
 \$ \text{_____} - \$ \text{_____} = \$ \text{_____} \times \text{_____} - \$ \text{_____} = \$ \text{_____} \\
 \text{Additional Monthly Billing Provided} - \text{Monthly Business Owed} = \text{Billing Volume Difference} \times \text{Multiplier} - \text{Down Payment} = \text{Total \$ Amount Due}
 \end{array}$$

### PAYMENT OPTIONS

\_\_\_\_\_ 1. PAYMENT IN FULL - \$ \_\_\_\_\_ Has been paid in complete payment of the Account Acquisition Fee (less 10% for cash payment). No interest assessed.

\_\_\_\_\_ 2. SWEAT EQUITY OPTION - \$ \_\_\_\_\_ is to be deducted in 4 or 5 consecutive, equal installments from the Franchisee monthly statement until complete payment of the Account Acquisition Fee has been achieved. No interest will be assessed. Payment amounts applied to this note, equals the amount of money left after Royalties, Management Fees, Insurance and any other fees that may apply, are deducted.

\_\_\_\_\_ 3. LOAN OPTION - The balance of the amount due from above (\$ \_\_\_\_\_) will be paid in \_\_\_\_\_ equal monthly installments based upon the gross monthly billing volume difference of the account, with interest on the balance at \_\_\_\_\_% per annum.

For value received, Franchisee agrees to pay the above principal amount plus interest at the rate of \_\_\_\_\_ (\_\_\_\_%) per annum on the balance of said principle. Franchisee agrees to allow STRATUS to deduct a monthly payment directly from their accumulated total gross billings. Franchisee agrees that any payments not made in accordance with this Account Acquisition Agreement may be deducted in full by STRATUS from Franchisee's next Franchise Statement or Statements as may be necessary. STRATUS may call this note immediately due and payable, without notice, for performance cancellations, abandonment of the account, violations of the Franchise Agreement and/or Procedures Manual, or at any time in the sole opinion of STRATUS, the Franchisee's financial ability to pay this note shall become impaired or unsatisfactory. Franchisee agrees to pay all non-compliance fees that apply as described in the STRATUS Procedures Manual. All payments are in addition to Royalties, Administration Fee's, Insurance and other fees that may apply. There is no penalty for pre-payment of this note. In the event a collection agency or attorney is employed by STRATUS to enforce any of its terms, Franchisee shall pay reasonable costs and collection/attorney fees in connection herewith, and such amount shall be secured hereby. This note shall be construed in accordance with the laws of the state listed above.

The dollar value of accounts, which are additional business, is guaranteed for up to one (1) year, when paid in full upon signing this Account Acquisition Agreement. Accounts that cancel for performance reasons will not be replaced and no credit or refund will be given. Accounts financed with installment payments (options 2 & 3) are not guaranteed. Franchisee acknowledges that no refunds will be made or credits given on any payments made when using the installment payment option. Payment fees will remain due and payable if the franchisee was a contributing factor to the cancellation of the account, abandons the account, or was in non-compliance with STRATUS Systems.

Franchisee certifies that sufficient capital has been maintained to purchase all needed supplies and equipment and to meet all expected payroll expenses for the first 60 days of service.

Date: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE NAME (Print)

\_\_\_\_\_  
FRANCHISEE NAME (Signature)

\_\_\_\_\_  
Stratus Representative

# FRANCHISE AGREEMENT

## EXHIBIT D CONFIDENTIALITY, NON-USE AND NON-COMPETITION AGREEMENT

AGREEMENT, dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between **COMPANY** d/b/a Stratus Building Solutions **AREA** (“Franchisor”) having an address at \_\_\_\_\_ and \_\_\_\_\_ having an address at \_\_\_\_\_ (“Franchisee”).

### WITNESSETH:

WHEREAS, **Franchisor** is principally engaged in the business of developing the sale of franchises in the business of providing comprehensive building maintenance care services, including, but not limited to, commercial cleaning and maintenance services for interior and exterior environments of business and residential locations in a specified geographic area (“Territory”); and

WHEREAS, **Franchisee** is an independent business entity which has entered into a Franchise Agreement with **Franchisor** in the Territory (“Franchise Agreement”) to operate a franchised business offering such cleaning services (“Franchised Business”); and

WHEREAS, during the course of the relationship between **Franchisor** and **Franchisee** **Franchisor** provides certain information to **Franchisee** relating to **Franchisor**, including, without limitation, a Brand Standards Manual, which includes content about franchise operations, cleaning operations, evaluations, business operations, office care, restroom care, trade names, trademarks, product designs and plans and other proprietary business concepts and plans (collectively, the “Confidential Information”) which **Franchisor** considers proprietary, but which Confidential Information does not include that information which was otherwise known to **Franchisee** prior to the date hereof, or which is or enters into the public domain.

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. **Franchisee** on behalf of its officers, directors, shareholders, employees, agents, subsidiaries and affiliates, pledges and agrees that for a period commencing on the date of this Agreement and continuing thereafter, in the absence of prior written consent by **Franchisor** (a) it will keep all Confidential Information in strict confidence, (b) it will not disclose Confidential Information to any individual or entity, (c) it will not use the Confidential Information for any purpose other than as directed by and needed for **Franchisor’s** use, (d) it will inform its subsidiaries and affiliates and the professional and financial advisors of **Franchisee** and its subsidiaries and affiliates of the confidential nature of the Confidential Information, (e) it will not reproduce or use the Confidential Information, and (f) at the request

of **Franchisor** it will cause its employees to execute Confidentiality, Non-use and Non-disclosure Agreements consistent with the terms of this Agreement.

2. Confidential Information provided to **Franchisee**, his, her or its professional and financial advisors, or to any of its subsidiaries or affiliates and their respective professional and financial advisors, by **Franchisor** in the course of the parties' relationship shall be delivered promptly to **Franchisor** upon termination of the same, and its subsidiaries and affiliates, and professional and financial advisors and/or its subsidiaries and affiliates shall not retain any copy, note, or extract of such Confidential Information, except as the parties hereto may agree.

3. **Franchisor** makes no representations or warranties as to the accuracy or completeness of the Confidential Information provided to **Franchisee** and shall not be liable, directly or indirectly, to or any of **Franchisee's** subsidiaries or affiliates as a result of any use of the Confidential Information by or on behalf of any of its subsidiaries or affiliates, except as may be provided in a definitive agreement between **Franchisor** and **Franchisee**. **Franchisee** specifically waives any and all claims for any loss or damage suffered by it due to its use of the Confidential Information and agrees to indemnify and hold **Franchisor** harmless for any claims made against **Franchisor** based upon **Franchisee's** providing the Confidential Information to third parties.

4. **Franchisee** agrees that the registered trademark "Stratus Building Solutions" among other names and marks, is a proprietary trade name licensed to **Franchisee** by the **Franchisor** and that the use and any financial benefit derived from it is strictly prohibited. **Franchisee** further agrees that during the term of its Franchise Agreement or any successor Franchise Agreement, and for a period of two (2) years after the termination or expiration of the Franchise Agreement, and within the Territory or a distance of twenty (20) miles from the Territory, Franchisee agrees that neither it, its affiliates nor any of Franchisee's partners, shareholders or members, will (i) divert, solicit, or attempt to divert or solicit, any business or customer of us, the Franchised Business, or any other franchisee of Franchisor, or (ii) provide commercial cleaning and maintenance services to any business or Customer (a) who is currently serviced by Franchisee, any other franchisee, or other person under the System and the Marks under the Franchise Agreement or (b) who has been serviced by Franchisee, any other franchisee, or other person under the System and the Marks under this Agreement within the previous eighteen (18) month period prior to such expiration or termination; or (iii) perform any act injurious or prejudicial to the goodwill associated with the Marks.

5. **Franchisee** acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to **Franchisor** for which no adequate remedy at law will be available. Accordingly, **Franchisee** hereby consents to the entry of an injunction procured by **Franchisor** prohibiting any conduct by **Franchisee** in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this agreement. **Franchisee** expressly agrees that it may conclusively be presumed in any legal action that any violation of the terms of these

covenants not to compete was accomplished by and through my unlawful utilization of **Franchisor's** Confidential Information, know-how, methods and procedures. Further, **Franchisee** expressly agrees that any claims it may have against **Franchisor** will not constitute a defense to **Franchisor's** enforcement of the covenants not to compete set forth in this Agreement. **Franchisee** further agrees to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.

6. As used herein, "subsidiaries" means with respect to **Franchisee** any and all corporations, partnerships, trusts or other entities controlling, controlled by or under common control with **Franchisee**. "Affiliates" means with respect to a corporation (i) any employee, agent, officer, director, shareholder, or (ii) any corporation, partnership, trust or other entity controlling, controlled by or under common control with such corporation or any person described in (i) above, or (iii) any employee, agent, officer, director, trustee, general partner, or ten percent (10%) shareholder of any person or entity described in (ii) above, or (iv) any person who is a member, other than as a limited partner with any person described in (i) and (ii) above in a relationship of joint venture, general partnership or similar form of unincorporated business association. For purposes of these definitions, the term "control" shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

7. If any provision of this Agreement (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed and this Agreement modified to the extent necessary to render it valid and enforceable.

8. This Agreement shall be binding upon and shall inure to the benefit of **Franchisor** and **Franchisee** and their respective Subsidiaries and Affiliates, and its and their successors and assigns.

9. This Agreement shall be governed by the laws of [STATE].

10. This Agreement contains the complete understanding of **Franchisee** and **Franchisor** with respect to the Confidential Information, and this Agreement shall not be amended without the prior written consent of the parties.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

[COMPANY]

By: \_\_\_\_\_

Its: \_\_\_\_\_



**FRANCHISE AGREEMENT**

**EXHIBIT E  
FRANCHISEE COMPLIANCE CERTIFICATION\***

As Franchisee knows, **COMPANY** d/b/a Stratus Building Solutions **AREA** (the “Franchisor”) and Franchisee are preparing to enter into a Franchise Agreement for the establishment and operation of a “Stratus” franchised business (the “BUSINESS”). The purpose of this Certification is to confirm that Franchisee understands and accepts its obligations under the Franchise Agreement, and to determine whether any statements or promises were made to Franchisee that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. I had my first face-to-face meeting with one of the Franchisor’s representatives on \_\_\_\_\_, 20\_\_.
  
2. I have formed a corporation, limited liability company or partnership to act as an independent business entity that will be the Franchisee and will establish and operate the BUSINESS under a Franchise Agreement with Franchisor?  
  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
3. Does the Franchisee understand that neither it nor its employees will be employees of Franchisor or of SBS Franchising, LLC?  
  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
4. Has the Franchisee explained to its employees that they will not be employees of Franchisor or of SBS Franchising, LLC and will it do so?  
  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
5. Has the Franchisee received and personally reviewed the Franchise Agreement, and, if applicable, each Addendum and related agreement attached to them?  
  
Yes \_\_\_\_\_ No \_\_\_\_\_
  
6. Does the Franchisee understand all of the information contained in the Franchise Agreement and each Addendum and related agreement provided to the Franchisee?  
  
Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement Addendum, and/or related agreement does the Franchisee not understand? (Attach additional pages, as needed.)

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7. Has the Franchisee received and personally reviewed the Franchisor’s Franchise Disclosure Document (“**FDD**”) that was provided to the Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Did the Franchisee sign a receipt for the FDD indicating the date the Franchisee received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Does the Franchisee understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum does the Franchisee not understand? (Attach additional pages, as needed.)

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10. Has the Franchisee discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a BUSINESS as a Franchised Business, including the business and employment laws that will be applicable to the Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, does the Franchisee wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Does the Franchisee understand that the success or failure of the Franchisee’s Business will depend in large part upon the Franchisee’s skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to the Franchisee (or, to the best of the Franchisee’s knowledge, information and belief, to any person or entity or the Franchisee’s behalf) concerning the actual or possible revenues, profits or operating costs of a Stratus franchised business operated by the Franchisor or any of its franchisees, that is contrary to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to the Franchisee (or, to the best of Franchisee’s knowledge, information and belief, to any person or entity or Franchisee’s behalf) regarding the amount of money the Franchisee may earn in operating the BUSINESS as a Stratus franchised business, that is contrary to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to the Franchisee (or, to the best of the Franchisee’s knowledge, information and belief, to any person or entity or the Franchisee’s behalf) concerning the total amount of revenue the BUSINESS as a Stratus franchised business will or may generate, that is contrary to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to the Franchisee (or, to the best of the Franchisee’s knowledge, information and belief, to any person or entity on the Franchisee’s behalf) regarding the costs the Franchisee may incur in operating the BUSINESS as a Stratus franchised business, that is contrary to or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to the Franchisee (or, to the best of Franchisee’s knowledge, information and belief, to any person or entity on the Franchisee’s behalf) concerning the likelihood of success that the Franchisee should or might expect to achieve from operating the BUSINESS as a Stratus franchised business?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Has any employee or other person speaking on behalf of the Franchisor made any statement, agreement or promise to the Franchisee (or, to the best of the Franchisee’s knowledge, information and belief, to any person or entity on the Franchisee’s behalf) concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to the Franchisee that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Has the Franchisee entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

19. Has the Franchisee paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. Does the Franchisee understand that the Franchise Agreement does not grant the Franchisee an exclusive territory and any territorial rights granted to the Franchisee are subject to limitations and exceptions?

Yes \_\_\_\_\_ No \_\_\_\_\_

21. Does the Franchisee understand that Franchisor and its affiliates and subsidiaries retain the right, directly or through others, to develop and franchise other similar franchises or different franchise systems inside or outside of the Territory within which the Franchisee will operate?

Yes \_\_\_\_\_ No \_\_\_\_\_

22. Does the Franchisee understand that the Franchise Agreement contain the entire agreement between the Franchisee and the Franchisor concerning the franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes \_\_\_\_\_ No \_\_\_\_\_

23. If the Franchisee have answered “Yes” to any of questions 12-19, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If Franchisee has answered “no” to each of questions 12-19, then please leave the following lines blank.

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24. I signed the Franchise Agreement and Addenda (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

[SIGNATURE PAGE FOLLOWS]

**BY SIGNING THIS QUESTIONNAIRE, FRANCHISEE IS REPRESENTING THAT FRANCHISEE HAS CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

FRANCHISE APPLICANT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_

\* 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.

# FRANCHISE AGREEMENT

## EXHIBIT F GENERAL RELEASE

To all to whom these Presents shall come or may Concern, Know That:

on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, the undersigned individuals and entities, for each of them and their respective corporate parents, subsidiaries, affiliates, successors, predecessors, and the respective assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, and members, of each of those entities (in their corporate and individual capacities) (collectively, "RELEASORS"), in consideration of the consent of COMPANY d/b/a Stratus Building Solutions AREA, to the Assignment or Renewal of the Franchise Agreement between RELEASOR and Stratus Building Solutions AREA (the "Franchise Agreement"), for the offer of additional customer contracts under the Franchise Agreement, and/or for other good and valuable consideration, hereby irrevocably and absolutely release and forever discharge Stratus Building Solutions AREA and SBS Franchising, LLC, and their respective corporate parents, subsidiaries, affiliates, successors, predecessors, and the respective assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, and members, of each of those entities (in their corporate and individual capacities) (jointly and severally, the "RELEASEES"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this General Release. The RELEASORS, and each of them, also covenant not to sue or otherwise bring a claim against any of the RELEASEES regarding any of the claims being released under this General Release. RELEASORS hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist. Each of the RELEASORS 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 RELEASORS hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code and any similar provision of law in any other jurisdiction.

Without in any way limiting the foregoing, and to the greatest extent permitted by law, RELEASORS acknowledge and agree that their release includes all claims under local, state, or federal law that the RELEASEES, collectively or individually: (1) employed RELEASORS, misclassified RELEASORS as independent contractors, or wrongfully failed to treat RELEASORS as employed by the RELEASEES; (2) failed to pay wages, tips, or other compensation, including but not limited to minimum wage or overtime compensation, or to provide leaves of absence or time off; (3) discriminated or retaliated against RELEASORS on any

basis; (4) violated any protection afforded to whistleblowers; or (5) violated public policy when terminating a business relationship with RELEASORS. **[This paragraph to be supplemented as necessary to identify claims under specific statutes or regulations if applicable state law so requires, and to include any language necessary to release unknown claims.]**

This General Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Additionally, any liabilities arising under any other applicable state law that may not be released in this context shall not be released and shall be excluded from this release without otherwise affecting the validity of this General Release. Each of the undersigned acknowledge and agree that they have read the terms of this General Release, they fully understand and accept the terms, and that they have entered into this General Release intending to be legally bound, voluntarily, and without any coercion.

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

|   |   |
|---|---|
| <p><b>WITNESS:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p> | <p><b>FRANCHISEE:</b></p> <p>Entity name (if any): _____</p> <p>By: _____</p> <p>Print Name: _____</p> <p>Title: _____</p> <p>Date: _____</p> |
| <p><b>WITNESS:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p> | <p><b>INDIVIDUAL OWNER:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p>  |
| <p><b>WITNESS:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p> | <p><b>INDIVIDUAL OWNER:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p>  |
| <p><b>WITNESS:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p> | <p><b>INDIVIDUAL OWNER:</b></p> <p>By: _____</p> <p>Print Name: _____</p> <p>Date: _____</p>  |

## EXHIBIT J

### 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.

|  |  |
|--|--|
| <b>WITNESS:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____ | <b>MASTER FRANCHISEE:</b><br>Entity name (if any):<br>_____<br><br>By: _____<br>Print Name: _____<br>Title: _____<br>Date: _____ |
| <b>WITNESS:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____ | <b>INDIVIDUAL OWNER:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____  |
| <b>WITNESS:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____ | <b>INDIVIDUAL OWNER:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____  |
| <b>WITNESS:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____ | <b>INDIVIDUAL OWNER:</b><br><br>By: _____<br>Print Name: _____<br>Date: _____  |

**EXHIBIT K**  
**RENEWAL ADDENDUM**

**SBS FRANCHISING, LLC  
MASTER FRANCHISE AGREEMENT  
RENEWAL ADDENDUM**

THIS RENEWAL ADDENDUM (this “Addendum”) is being entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **SBS Franchising, LLC**, a Delaware limited liability company with its principal office located at 10530 Victory Blvd., North Hollywood, CA 91606 (hereinafter referred to as “we,” “us,” “our,” “SBS” or “Franchisor”) and the following independent business:

Entity Name: \_\_\_\_\_

Principal Address: \_\_\_\_\_  
\_\_\_\_\_

(hereinafter referred to collectively as “you,” “your,” or “Master Franchisee”).

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**WITNESSETH:**

**WHEREAS**, Master Franchisee currently operates a Stratus Building Solutions Master Franchise (the “Master Franchise Business”) pursuant to a master franchise agreement entered into between a predecessor of Franchisor and Master Franchisee dated \_\_\_\_\_, 20\_\_\_\_ (the “Prior Agreement”);

**WHEREAS**, Franchisor and Master Franchisee have entered into a new master franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Master Franchise Agreement”) for the purpose of extending Master Franchisee’s rights and obligations to operate the Master Franchised Business for an additional term; and

**WHEREAS**, Franchisor and Master Franchisee desire to amend the terms of the Master Franchise Agreement as set forth herein.

**NOW, THEREFORE**, the parties agree as follows:

1. Master Franchisee’s Investigation & Application. Section I of the Master Franchise Agreement is hereby amended by deleting the final paragraph of the Section in its entirety and replacing it with the following language:

Master Franchisee has operated a Master Franchise business under the Stratus System and Stratus Marks pursuant to a prior master franchise agreement and now wishes to enter into this renewal Agreement with us to continue operating the Master Franchise for an additional term (as specified in Section III.A.).

2. License Granted. Section II.A. of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

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 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”): \_\_\_\_\_

3. Principal Office Must Be Located In Territory. Section II.B. of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

Master Franchisee must maintain its principal office within the Territory.

4. Opening Date. Section II.C. of the Master Franchise Agreement is hereby deleted in its entirety.

5. Term. Section III.A. of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

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

6. Renewal. The first sentence of Section III.B. and subsections 1, 2, and 3 of Section III.B. of the Master Franchise Agreement are hereby deleted in their entirety and replaced with the following language:

Renewal – At Master Franchisee’s option, this Agreement may be renewed for one (1) successor period of fifteen (15) years (hereinafter referred to as the “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 of this Agreement.
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 term of this Agreement.

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

7. Initial Franchise Fee. Section IV.A. of the Master Franchise Agreement is hereby deleted in its entirety.

8. Minimum Monthly Revenues. The first paragraph of Section V.A. of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

During the term hereof, you must generate not less than \$80,000 in monthly gross revenues on an annual basis (the “Minimum Monthly Revenues”). In addition to generating the Minimum Monthly Revenues, your monthly gross revenues must increase each year during the term hereof, all as a condition to the continuation of your franchise.

9. Minimum Number of Unit Franchisees. The first sentence of Section V.B. of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

At all times during the term hereof, 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.

10. Insurance. The last sentence in the first paragraph of Section XIII of the Master Franchise Agreement is hereby deleted in its entirety and replaced with the following language:

Master Franchisee must provide SBS with proof of coverage at the following times:

1. Prior to the Effective 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.

11. Franchisor Obligation & Master Franchisee Training. The first two (2) paragraphs in Section XVI.A. of the Master Franchise Agreement are hereby deleted in their entirety.

12. Release. Master Franchisee and its owners, for themselves and their respective assigns, beneficiaries, executors, trustees, administrators, subrogees, agents, representatives, employees, officers, directors, shareholders, members, partners, parent corporations, subsidiaries and affiliates (collectively, “Releasers”), do hereby irrevocably and absolutely release and forever discharge Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, administrators, subrogees, agents, representatives, employees, officers, directors, shareholders, members, partners,

parent corporations, subsidiaries and affiliates (collectively, “Released Parties”), of and from any and all claims, demands, obligations, debts, actions, and causes of action of every nature, character, and description, known or unknown, pursuant to, arising out of, or related to, the Prior Agreement and the Master Franchise Business, which Releasors now own or hold, or have at any time heretofore owned or held, or may at any time own or hold against the Released Parties, arising prior to and including the date of this Addendum. Each of the Releasors expressly acknowledges that it is 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 Releasors hereby specifically and expressly waive 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 release is and shall be and remain a full, complete, and unconditional general release.

Without in any way limiting the foregoing, and to the greatest extent permitted by law, Releasors acknowledge and agree that their release includes all claims under local, state, or federal law that the Released Parties, collectively or individually: (1) employed Releasors, misclassified Releasors as independent contractors, or wrongfully failed to treat Released Parties as employed by the Released Parties; (2) failed to pay wages, tips, or other compensation, including but not limited to minimum wage or overtime compensation, or to provide leaves of absence or time off; (3) discriminated or retaliated against Releasors on any basis; (4) violated any protection afforded to whistleblowers; or (5) violated public policy when terminating a business relationship with Releasors.

13. Miscellaneous. This Addendum constitutes an integral part of the Master Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to inconsistent provisions and the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Master Franchise Agreement are hereby ratified and confirmed. The section numbering in the Master Franchise Agreement shall remain the same and shall not be adjusted based on the deletion of any sections as set forth in this Addendum. This Addendum may be executed in counterparts such that such counterparts when executed by the parties hereto shall constitute a single binding and executed Addendum.

**[Signature page follows]**

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Addendum in duplicate on the date first above written.

**SBS Franchising, LLC:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Master Franchisee:**

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

Name: \_\_\_\_\_

Social Security Number: \_\_\_\_\_

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

Name: \_\_\_\_\_

Social Security Number: \_\_\_\_\_

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

Name: \_\_\_\_\_

Social Security Number: \_\_\_\_\_

**COMPLETE IF FOR CORPORATION:**

\_\_\_\_\_  
(Corporate Name)

\_\_\_\_\_  
(Title of Authorized Officer)

\_\_\_\_\_  
(Federal Tax ID#)

**EXHIBIT L**  
**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.     \_\_\_\_\_     \_\_\_\_\_     The date on which I first received SBS’ Franchise Disclosure Document about the SBS Master Franchise.  
      (Date)       (Initials)
  
2.     \_\_\_\_\_     \_\_\_\_\_     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.  
      (Date)       (Initials)
  
3.     \_\_\_\_\_     \_\_\_\_\_     The date that I signed the contracts and agreements as disclosed in my Franchise Disclosure Document.  
      (Date)       (Initials)
  
4.     \_\_\_\_\_     \_\_\_\_\_     The earliest date on which I delivered cash, check, or other consideration to SBS in connection with the purchase of a SBS Master Franchise.  
      (Date)       (Initials)

**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)

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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.**

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**[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 M**  
**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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| Illinois     | <i>Pending</i>        |
| Michigan     | April 22, 2023        |
| New York     | <i>Pending</i>        |
| Virginia     | <i>Pending</i>        |
| Wisconsin    | <i>Pending</i>        |

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 N  
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 28, 2023.**

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

- Afshin Cangarlu, 10530 Victory Blvd., North Hollywood, CA 91606, (888) 981-1555
- 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
- Maureen DiStefano, 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 28, 2023**, that included the following Exhibits:

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

**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 28, 2023.**

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| F. List of Master Franchisees                    | M. State Effective Dates                |
| G. State Addenda to Master Franchise Agreement   | N. Receipt                              |

**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.