



## FRANCHISE DISCLOSURE DOCUMENT

PRO ONE JANITORIAL, INC.

A Wisconsin Corporation

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Green Bay, WI 54304

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The franchise is offered for the operation of a business providing janitorial and maintenance services to industrial, institutional, retail, and other commercial facilities. The total investment necessary to begin operation of a Pro One Janitorial® business is between \$8,850 and \$75,500. This range includes between \$7,650 and \$11,650 that must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jeff Griffin at 1101 Ashwaubenon Street, Green Bay, WI 54304, (920) 339-1014.

The terms of your contract will govern your franchise relationship. Do not 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 be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 13, 2023. See the page entitled "State Effective Dates" for state specific effective dates.

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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 E.
<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 F 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 Pro One Janitorial 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 a Pro One Janitorial franchisee?</b>	Item 20 or Exhibit E 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 Risk(s) 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 arbitration and litigation only in Wisconsin. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Wisconsin than in your own state.
2. **Spousal Liability.** Your spouse must sign a document, such as a guarantee, that makes your spouse liable for your financial obligations under the Franchise Agreement even if your spouse does not own any part of the franchise business. If you live in a community property state, your spouse may be liable for your financial obligations even if he or she hasn't signed anything. In either case, both you and your spouse's marital and personal assets, including your house, could be lost if your franchise fails.
3. **Loss of Customers.** If you lose a customer account for any reason, the franchisor is under no obligation to replace it.
4. **Pricing of customer accounts.** The franchisor determines the amount to be charged for your services by bidding on customer accounts. You have no say in that determination. If the franchisor prices a customer account too low, even by mistake, you still must service the customer under the price the franchisor negotiates, even if you lose money doing so.
5. **Billing for customers.** The franchisor performs billing and collection for all services that you provide to your customers, whether you obtain the customer, or the franchisor provides that customer to you. If accounts you service do not pay, you suffer the loss of nonpayment. If the franchisor takes action to collect payments, the franchisor does so solely at your expense.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" 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**

#### **The Franchisor**

The Franchisor is Pro One Janitorial, Inc. (“Pro One Janitorial,” “Pro One,” “we,” “us,” or “our”), a Wisconsin corporation, incorporated on June 29, 1995. We conduct business under our corporate name and under the service mark “PRO ONE JANITORIAL®” and associated logos and designs. Our principal business address is 1101 Ashwaubenon Street, Green Bay, WI 54304. We grant franchises only to corporations, limited liability companies and partnerships. We refer to the entity that buys the franchise as “you” throughout this Disclosure Document. All provisions of the Franchise Agreement also apply to your owners and their spouses by virtue of the personal guarantee that each of your owners and their spouses must sign as a condition to the grant of a franchise.

Our agents for service of process are listed in Exhibit A.

#### **Our Parent, Predecessors and Affiliates**

We do not have any parents, predecessors, or affiliates.

#### **The Franchise Offered**

We grant to others the right to use our system to sell and perform janitorial services for industrial, institutional, retail, and other commercial facilities. Our founder began his commercial cleaning business under the name BK Cleaners in 1989. We began offering franchises in 1995. We do not offer other franchises or engage in any other line of business.

If we offer a franchise to you, you sign our Franchise Agreement granting you the right to own and operate a maintenance and commercial cleaning business under the Pro One Janitorial name in a non-exclusive territory as specified in the Franchise Agreement. Your owners and their spouses must sign a personal guaranty, guaranteeing all provisions of the Franchise Agreement. You use the methods and procedures developed by us. You need not purchase or lease a commercial location. You may, at your option, conduct your business from the residence of any of your owners, as long as local zoning laws allow you to operate your franchised business from the residence. You can solicit your own customers. To the extent we have customer accounts of our own, and you meet our requirements to service those accounts, we may offer you the opportunity to service them.

#### **Market**

The market for your services is well established and continuing to grow. You will sell your services to commercial businesses that hear about your franchised business from advertising, direct marketing by you, referrals, etc. Your competitors include independent maintenance businesses and cleaning service businesses and other janitorial franchises. The business does not vary as to seasons.

## Industry Specific Regulations

All businesses are subject to governmental regulations, and you should check with state and local authorities concerning regulations that affect your business in your state. In certain states you may need a business license and you may need to post a bond. You must comply with all laws related to the disposal of chemicals that you use in your business. You should check with your attorney and local authorities to determine the laws that apply to your business.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Dean Race – Chief Executive Officer, Chairman, President

Mr. Race has served as the Chairman of our Board of Directors since May 1999 and as our President since May 2001.

#### Jeff Griffin – Chief Operations Officer, Vice President

Mr. Griffin has been our Chief Operations Officer since December 2001 and a Vice President since December 2002.

#### Marie Race – Chief Information Officer, Corporate Secretary, Corporate Treasurer

Ms. Race has been our Chief Information Officer and Corporate Treasurer since July 2003 and our Corporate Secretary since October 2003.

## **ITEM 3**

### **LITIGATION**

In the Matter of *Pro One Janitorial, Inc., Thomas Verboncouer and Jean Verboncouer*; File S-98246 (FX). On August 12, 1999 the Wisconsin Division of Securities petitioned the Administrator of the Division of Securities for the issuance of an order against us alleging violations of the Wisconsin Franchise Investment Law, which included the unauthorized sale of a franchise, making filings with the Wisconsin Division of Securities that were false or misleading and that omitted to state material facts that would have made them not misleading, and the making of unauthorized earnings claims. An Order of Prohibition and Revocation was entered on August 13, 1999 by the Administrator of the Division of Securities prohibiting us from violating the Wisconsin Franchise Investment Law and revoking our right to sell franchises in Wisconsin. We subsequently petitioned the Division of Securities for a hearing on the matter. A prehearing conference was held November 15, 1999 at which time we agreed that we would submit an amended Uniform Franchise Offering Circular, in form and substance acceptable to the Division of Securities, in resolution of the matter. We complied and our Uniform Franchise Offering Circular was approved by the Division of Securities in January 2000.

Other than this action, no litigation must be disclosed in this Item.

#### **ITEM 4**

#### **BANKRUPTCY**

No bankruptcies must be disclosed in this Item.

#### **ITEM 5**

#### **INITIAL FEES**

**Initial Franchise Fee:** You pay an Initial Franchise Fee of \$8,000. Payment is due in full when you sign the Franchise Agreement, unless we elect to finance for you \$3,000 of the Initial Franchise Fee. If we elect to finance a portion of the Initial Franchise Fee you will sign a Promissory Note and your owners and their spouses will sign a Personal Unlimited Guaranty, each in the forms attached as Exhibits D and D1 respectively. See Item 10 for more information on this financing option. The Initial Franchise Fee is not refundable. In 2022, we did not sell any new franchises that varied from the Initial Franchise Fee above.

**Cleaning Supplies and Equipment:** Unless you have the cleaning supplies and equipment we require that meets our standards, you must purchase these items. You can purchase them from us or a third party with the exception of a computer which we do not sell. If you purchase them from us the cost for these items will range from \$2,250 to \$3,000 depending upon the items purchased. An Inventory Package List listing the items is attached as Exhibit D2. If you want to purchase supplies, you must sign a Supply Requisition Agreement, an example of which is attached as Exhibit D3. You must pay us for these materials before we provide them to you.

**Marketing Materials:** You may also purchase from us a start-up kit of printed marketing materials you can use to market your franchised business. The cost for this kit is \$250 to \$500 depending upon the amount of items you purchase. You must pay us for the kit before we provide it to you.

**Initial Training:** You must pay us \$150 for each individual who attends the Initial Training program. This amount is due before the training occurs.

None of the amounts in this Item are refundable.



**ITEM 6**

**OTHER FEES**

<u>Type of Fee*</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee <sup>6.1</sup>	10% of Gross Revenues from general janitorial service and 15% of Gross Revenues from Project Services	On the 28 <sup>th</sup> day of each month	Includes all amounts you or any affiliate of yours receives, but does not include sales taxes.
Administrative Fee <sup>6.2</sup>	9% of Gross Revenues	On the 28 <sup>th</sup> day of each month	The fee is due for the administrative services we provide to you. <sup>6.2</sup>
Late Fee <sup>6.3</sup>	Maximum amount permitted by law, not to exceed 1.5% per month on unpaid amounts.	Immediately after notice from us	This fee is only due if you do not pay other fees to us on time.
Audit Expenses <sup>6.4</sup>	Cost of audit	Immediately upon receipt of an invoice from us	You only pay this fee if you understate your Gross Revenues by 2% or more or divert any business to a third party.
Advertising Contribution <sup>6.5</sup>	1% of Gross Revenues	On the 28 <sup>th</sup> day of each month	
Renewal Fee	\$1,500	At the time you sign your new franchise agreement	This fee is only due if you renew your franchise.
Transfer Fee	\$2,500	Before consummation of transfer	Payable when you sell, assign, transfer, or convey your business or one of your owners transfers an interest in the business. But the Fee decreases to \$1,000 if the owner's interest is assigned to an heir or personal representative of the owner upon the death or incapacity of the owner.

<u>Type of Fee*</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Indemnification	Vary under circumstances	Immediately after notice from us	You must reimburse us if we are sued or held liable for claims arising out of your business operations.
Attorneys' Fees and Legal Expenses	Vary under circumstances	Immediately after notice from us	If we are successful in any legal action we bring against you or in defending a claim you bring against us or if we pursue payment from a customer that has not paid us for your services.
Liquidated Damages	\$500 per day	As incurred	May be charged if your services to a customer are discontinued for any reason, and you do not timely return all keys, security codes and cards per the Franchise Agreement.
Specialized Training <sup>6.6</sup>	\$150 per person.	Before beginning training	If you would like to provide Project Services you may need to complete training required by the account. If so, we will provide you with that training.
Uniform Fee	\$25.00 per shirt	Immediately after notice from us	If we determine that your employees are not wearing a Pro One Janitorial® shirt at a customer's facility.
Supplies and Equipment	\$2,250 to \$3,000 depending upon the items purchased.	On receipt of an invoice	This fee is only due if you purchase these items from us.
Marketing Materials	\$250 to \$500 depending upon the materials you purchase	On receipt of an invoice	This fee is only due if you purchase these items from us.

<u>Type of Fee*</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Regional Customer Account Fee <sup>6.7</sup>	Amount equal to 2 times the monthly revenue to be generated by the Account.	It is due in full at the time you accept the Account unless we agree to finance it.	If you agree to perform services for one of our Regional Customer Accounts.
Background Check Fee	\$10.95 per check	Immediately upon notice from us	Only payable if a customer requires these checks to be performed on your personnel and you choose to have us facilitate the checks..
Rekeying Fee	Cost to rekey the customer's facility	Immediately upon notice from us	Payable if you lose or fail to return a key to a customer's facility and the facility needs to be rekeyed.

\* All fees are paid to us and are non-refundable. None of these fees are imposed by a cooperative. We currently intend to impose these fees uniformly on our franchisees. We may change the stated fees based upon changes in market conditions, our cost of providing services and future policy changes. From time to time we have negotiated these fees based on a need in a specific market.

**6.1. Royalty Fee:** “Gross Revenues” means all amounts that you or your affiliate(s) receive excluding sales taxes or discounts. Project Services mean restorative one-time only services requested by a customer, such as construction clean-up, window cleaning or floor care. You pay us a Royalty Fee on all Gross Revenue of your franchised business, whether from ordinary janitorial services, Project Services or amounts you receive from Regional Customer Accounts that we may assign to you. The Royalty Fee is payable on the 28<sup>th</sup> day of each month for revenues you received in the prior month. We may deduct the Royalty Fee from any revenues we receive on your behalf We send you a monthly Franchise Report showing how we computed the Royalty Fee. If a Regional Customer Account does not pay us as scheduled, you do not get paid for those services.

**6.2. Administrative Fee:** We can provide administrative services for all accounts you service. This includes accounts you obtain on your own.

**6.3. Late Fee:** If you fail to pay us within the timeframe for payment, we charge you interest on the unpaid amount at the maximum rate permitted by law not to exceed 1.5% per month until paid in full.

**6.4. Audit Expenses:** If the error is an understatement of 2% or more of Gross Revenues, or we determine you diverted business to a third party, regardless of the amount, you must pay the amount

of the Royalty Fee on the understated or diverted Gross Revenues plus the cost of the audit, including travel, lodging and fees incurred, as well as late fees as specified in this Item 6.

**6.5. Advertising Contribution:** You must pay 1% of your monthly Gross Revenues to the Pro One Janitorial® advertising fund.

**6.6. Specialized Training:** You are also responsible for all travel and lodging costs incurred to attend training. (See Item 11 for information on additional training.)

**6.7. Regional Customer Account Fee:** If we give you the opportunity to service an account of ours, which we refer to as a “Regional Customer Account”, you will pay us an amount equal to 2 times the monthly revenue to be generated by the Account. For example, if that Account generates \$1,000 per month in revenue you would pay us a one-time fee of \$2,000. If you want to accept one of these Accounts, you must execute a Regional Customer Account Acceptance/Denial Form, a copy of which is attached as Exhibit D4.

If we increase the price to be paid by an Account by more than \$99 per month during the time you are servicing that Account you must pay us an additional Regional Customer Account Fee on the increased amount determined by multiplying the increase by two. We may modify the way we calculate, and the amount of, the Regional Customer Account Fee. You must pay all Regional Customer Account Fees even if the Customer Account is cancelled. The Regional Customer Account Fee is due at the time we assign the Account to you unless we otherwise agree to finance it. See Item 10 for additional information.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure*	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee <sup>7.1</sup>	\$5,000-\$8,000	Lump sum or at least \$5,000 down, depending on your credit worthiness, with the remainder paid by promissory note	At signing of Franchise Agreement	Us
Initial Inventory of Equipment and Supplies <sup>7.2</sup>	\$100-\$5,000	Lump Sum	At delivery of materials	Us or third party vendor
Printed Materials <sup>7.2</sup>	\$250-\$500	Lump sum	At delivery of materials	Us or third party vendor

Type of expenditure*	Amount	Method of payment	When due	To whom payment is to be made
Real Estate and Fixtures <sup>7.3</sup>	\$0	Not applicable	Not applicable	Not applicable
Insurance <sup>7.4</sup>	\$500 - \$5,000 full year	As arranged	As incurred	Insurer
Training Fee and Travel and Living Expenses While Training <sup>7.5</sup>	\$200 - \$2,000	Lump sum	As incurred	Third parties
Miscellaneous Funds <sup>7.6</sup>	\$1,000 - \$5,000	As incurred	As incurred	Third parties
Additional Funds (3 months) <sup>7.7</sup>	\$1,800 - \$50,000	As incurred	As incurred	Third parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> <sup>7.8</sup>	\$8,850 - \$75,500			

\* Except as indicated, these payments are not refundable.

**7.1. Initial Franchise Fee:** We may, at our option, offer financing for \$3,000 of the Initial Franchise Fee at 12% interest. See Item 10. The Initial Franchise Fee is non-refundable.

**7.2. Initial Inventory of Equipment and Supplies/Marketing Materials:** At the time you begin to operate your franchised business you must have equipment and supplies that meet our specifications. With the exception of a computer, these items are listed on Exhibit D2. These items can be purchased from us or a third party vendor. The low estimate assumes that you have all of these items, including a computer, and do not have to purchase any of them other than shirts. The high estimate assumes you purchase all of the items from us and a computer from a third party. You will need to purchase equipment, supplies and other materials for your business on a going forward basis. You must also purchase marketing materials to advertise your franchised business. The estimates above assume you purchase these items from us. However, you may purchase them from a third party vendor.

**7.3. Real Estate:** We have not included any amount for real estate as we do not expect that you will purchase or lease real estate. Most franchisees conduct their businesses from their homes located in their Designated Areas. If you choose to purchase or lease office space, you must maintain it in conformance with our standards. If you conduct your business from a residence, you will avoid expenses for such items as real property, leasehold improvements, fixtures, construction, remodeling, and security deposits. If you elect to purchase or lease office space, total expenditures will vary greatly depending on various factors including the size, condition, and location of the premises.

**7.4. Insurance:** You must purchase and maintain the insurance we specify, which currently is general commercial liability insurance, including public liability, personal injury, contractual

liability, and property damage insurance covering the operation of the franchised business and the business location, in a minimum amount of \$1,000,000 per occurrence and a general aggregate limit of \$2,000,000 and real and personal property insurance including fire, personal injury, death, vandalism and extended coverage on an all-risk full-replacement cost basis with prime area and excess limits of not less than the full replacement value of the equipment, inventory and supplies of the franchised business. You must also obtain an Excess or Umbrella policy in a minimum amount of \$3,000,000 and employer's liability/worker's compensation and such other insurance as may be required by statute or rule of the state or locality in which your franchised business is located and operated. You must obtain janitorial bonding in a minimum amount of \$25,000. You must also obtain commercial auto liability insurance for any vehicle operated by, or on behalf of, your franchised business, including hired and non-owned vehicles, which includes collision and comprehensive coverage as well as liability insurance coverage in the minimum amount of \$1,000,000 per accident or the minimum required by state regulations, whichever is greater.

The cost of insurance coverage varies depending upon your prior history, terms of payment, geographical location, volume of business, value of business assets, payroll size, and various other factors.

The insurance we require may not be sufficient for your needs. You should consider whether to obtain additional insurance of your choice, or coverage with higher limits.

**7.5. Training Fee/Travel and Living Expenses While Training:** Each estimate assumes only one person attends the Initial Training. You are responsible for all costs for transportation and living expenses for your personnel who attend Initial Training. The estimates assume only one person attends the training. The low estimate assumes the individual lives nearby our corporate headquarters and drive to and from training each day.

**7.6. Miscellaneous Funds:** Includes security deposit, utility deposits, business licenses, attorneys' fees, and permits. Many of these you will only incur if you operate from a site other than an owner's home.

**7.7. Additional Funds:** This amount is an estimate of your expenses for the first 3 months of operation of your franchised business. These expenses include office equipment, payroll on the high range (for 3-5 people, but not a salary for your owners), uniforms, and other such miscellaneous items. You must maintain a cell phone and an active email address so that we, and the customers you service, may contact you at all times. You must have a computer that meets our requirements for use in your franchised business. We also recommend you have a printer but do not require it. The low estimate assumes you have a cell phone and computer meeting our requirements and do not need to purchase these items. The high estimate assumes you need to purchase these items and pay a monthly cell phone bill of \$200 per month. The low estimate assumed you financed the Initial Franchise Fee and includes 3-months of payments under the Promissory Note you would sign in connection with that financing.

We do not require that you obtain any special vehicle for conducting your business. The personal vehicles of your personnel will likely be adequate to transport equipment and supplies to customer facilities. If you elect to acquire a vehicle for business use, the cost for a lease or

purchase varies greatly depending upon the type and age of the vehicle acquired, the financing or lease arrangements available, and other such factors.

**7.8. Total Estimated Initial Investment:** Item 7 represents an estimate of your expenses during the first 3 months of operation of your franchised business. We cannot guarantee that you will not have additional expenses in starting the business. The estimates vary depending upon the location of your business, your personal preferences and needs, and other factors over which we have no control. Your costs depend on factors such as: the management skill of your owners and other personnel, if any, experience and business acumen of your owners and other personnel; local economic conditions; the local market for services; the prevailing wage rate; and competition. You should investigate independently the expenses that you may incur that are not paid directly to us. We relied on our experience in connection with the opening of franchised businesses to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Other than shirts you will need for your personnel and administrative and activation services you must obtain from us, we do not currently require you to purchase any supplies, equipment, chemicals or other goods or services from us. You must, however, obtain supplies, equipment, chemicals, uniforms, advertising, insurance and bonding that meet our specifications. (Insurance and bonding requirements and the estimated cost is disclosed in Item 7 above.) If a Regional Customer Account requests the use of certain products or equipment for maintenance or for cleaning their facility, you must obtain and utilize the items requested by the customer and approved by us. All advertising materials that you develop for use in your franchised business must be approved by us.

We provide you with written specifications for many of the items discussed above. You must purchase these items in accordance with those specifications. They may be in the Franchise Agreement, the Operations Manual, or through written directives that we may issue. We may modify these specifications. We will provide you with any modifications. You must comply with these modifications within 30 days of the time we provide them to you. You must obtain our approval before you use any advertising, including a web-site, unless we have prepared or approved the advertising and have not revoked our approval. If you operate the franchised business from an office separate from the home of one of your owners, you must maintain the office and all fixtures, furnishings, signs and equipment in good order and condition, and in conformity with the standards we establish.

We do not designate any sources that you must purchase items from other than shirts which you must purchase from us and administrative and activation services you must obtain from us. We do not plan on approving another supplier for these items or services. As of the date of this Disclosure Document, we do not require you to have suppliers approved by us from whom you purchase items for your franchised business. However, in the future we may require that you purchase items only from suppliers we have approved. We may also only approve one source of supply for certain items. That sole source of supply may be a third party, us or an

affiliate. We may at any time become an approved supplier of any items that you purchase for use or sale in your business. Suppliers we approve may pay us rebates. We keep all amounts paid to us by any supplier.

If we require that suppliers be approved and you would like us to approve a supplier, you must provide us with the information we request on the supplier and the items the supplier will be selling to you. Our review entails examination or testing of items to be purchased (based on samples you provide to us upon our request) and evaluation of information that you provide to us regarding the supplier's business reputation, delivery performance, financial and other pertinent information. We do not have written supplier approval criteria available to franchisees. We will notify you of approval or disapproval of a supplier or product within 30 days of the time we receive all information we request about the supplier and its products. We do not charge a fee for this service. We may revoke our approval of a supplier or product if we determine that it no longer meets our standards and specifications. If we revoke approval, you must stop using the supplier or product. Other than an ownership interest in us, no officer of ours owns an interest in any approved supplier of ours.

We may sell chemicals, supplies, equipment, uniforms and other items to you. We will earn a profit from the sale or lease of items to you in an amount equal to what we believe to be a reasonable wholesale mark-up. During our fiscal year ended December 31, 2022, we received \$86,900 in revenues from the sale of products and services to franchises or approximately .004% of our total revenues of \$21,311,330. These numbers have been rounded to the nearest dollar.

The purchase of items in accordance with our standards and specifications will represent approximately 90% of your purchases in opening your business and approximately 80% of your annual purchases in operating the business on an ongoing basis.

There are no purchasing or distribution cooperatives in existence. Typically, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

**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 3	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Sections 3, 4, 7	Items 5, 7, 8
c. Site development and other pre-opening requirements	Section 3	Items 5, 6, 7, 11
d. Initial and ongoing training	Section 4	Items 5, 6, 11
e. Opening	Sections 3, 4	Items 7, 11



<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
f. Fees	Sections 4, 5, 6	Items 5, 6
g. Compliance with standards and polices/Operating manual	Sections 4, 7, 10	Items 5, 8, 15, 16
h. Trademarks and proprietary information	Sections 4, 7, 10	Items 13, 14
i. Restrictions on products/services offered	Sections 3, 7, 10	Items 8, 16
j. Warranty and customer service requirements	Section 7	Item 15
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Section 7	Items 6, 8
m. Maintenance, appearance, and remodeling requirements	Sections 3, 7	Items 7, 11
n. Insurance	Section 7	Items 7, 8
o. Advertising	Section 4	Items 6, 8, and 11
p. Indemnification	Section 8	Item 6
q. Owner's participation/management/staffing	Section 7	Item 15
r. Records and reports	Sections 7, 10	Item 6
s. Inspections and audits	Sections 7, 10	Item 6
t. Transfer	Section 9	Items 6, 17
u. Renewal	Section 2	Items 6, 17
v. Post-termination obligations	Section 11	Item 17
w. Non-competition covenants	Sections 11, 13	Item 17
x. Dispute resolution	Sections 16, 19	Item 17
y. Other: Guarantee of obligations*	Sections 5, 5.1, and 20	Items 1, 15, and 22

\* All of your owners and their spouses must sign a personal guaranty personally guaranteeing all obligations under the Franchise Agreement and any other agreement between you and us and agreeing to be bound personally by all provisions of these agreements. The personal guaranty is attached to the Franchise Agreement.

## ITEM 10

### FINANCING

#### SUMMARY OF FINANCING OFFERED\*:

ITEM FINANCED (SOURCE)	AMOUNT FINANCED	DOWN PAYMENT	TERM (MO)	ANNUAL INTEREST RATE	MONTHLY PAYMENT	PREPAY PENALTY	SECURITY REQUIRE D
Initial Franchise Fee (Pro One Janitorial) <sup>10.1</sup>	\$3,000	\$5,000	12 mos.	12%	\$266.55	None	Guarantee
Regional Customer Account Fee <sup>10.2</sup>	Varies based on amount financed	Varies based on creditworthiness	12 mos.	12%	Varies based on amount financed.	None	Guarantee

\* We do not have any past or present practice to sell, assign, or discount to a third party, in whole or part, any financing arrangement above, but we may do so in the future. Other than as discussed in this Item 10, we do not offer any direct or indirect financing. We do not guaranty any note, lease or obligation you might incur.

**10.1. Initial Franchise Fee:** We may offer financing of the Initial Franchise Fee to franchisees who meet our credit qualifications. If we elect to finance a portion of your Initial Franchise Fee, you must make a down payment of \$5,000 when you sign the Franchise Agreement. The balance of the Initial Franchise Fee will be evidenced by a Promissory Note and is payable over a 12 month period in equal monthly installments at 12% interest per annum. The first installment of principal and interest is due on the 28<sup>th</sup> day of the fourth calendar month after you sign the Franchise Agreement and on the 28<sup>th</sup> day of each subsequent month. (For example, if you sign the Franchise Agreement on April 5<sup>th</sup>, your first installment is due on August 28<sup>th</sup>.) A copy of our standard form Promissory Note is attached to this Disclosure Document as Exhibit D.

**10.2. Regional Customer Account Fee:** We may offer financing of a Regional Customer Account Fee to franchisees who meet our credit qualifications. The amount financed depends on the amount of the Fee and your creditworthiness but is generally between \$1,000 and \$10,000. We typically do not require a down payment but may depending upon the amount of the fee and your creditworthiness. The amount financed will be evidenced by a Promissory Note and is payable over a 12 month period in equal monthly installments at 12% interest per annum. The first installment of principal and interest is due on the 28<sup>th</sup> day of each month. A copy of our standard form Promissory Note is attached to this Disclosure Document as Exhibit D.

## **Promissory Note Terms**

If you default on repayment of the Promissory Note, breach another contract with us, suspend your business, fail to pay taxes, allow your assets to become attached, or if we deem ourselves insecure, we can call the loan and demand immediate payment of the full outstanding balance plus interest and obtain court costs and attorney's fees. (See Exhibit D – Promissory Note and Exhibit D1 – Personal Unlimited Guaranty.) We also can terminate your Franchise Agreement. (Franchise Agreement at Section 10.) All of your owners and their spouses must sign the Personal Unlimited Guaranty. The guarantors waive their rights to notice and demand. (See Personal Unlimited Guaranty.)

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

Before you open your franchised business, we will provide the following services:

**Designated Area:** We will provide you with a non-exclusive geographic area, referred to as your “Designated Area” in which you will locate your business. (Franchise Agreement at Section 3.1.) You select your business site within this area subject to our approval. (See “Site Approval” below in this Item 11 for further details.)

**Use of Our Marks:** We will license you to use our service mark, PRO ONE JANITORIAL® and such other names, marks or logos as we may direct, for the length of the Franchise Agreement. (Franchise Agreement at Section 4.1.)

**Equipment and Supplies:** We will sell to you equipment, supplies and shirts as discussed in Item 5. (Franchise Agreement at Section 4.5.) You must arrange for delivery and installation, if required, of these items.

**Marketing Materials:** We will sell to you a start-up kit of printed marketing materials you can use to market your franchised business. (Franchise Agreement at Section 4.5.)

**Suppliers:** We will provide you with a list of approved suppliers and written specifications for certain items you require for ongoing operations. (Franchise Agreement at Sections 7.2, 7.3.)

**Operations Manual:** We will loan to you the confidential Pro One Janitorial® Operations Manual (“Operations Manual”) at or before the time you attend Initial Training. (Franchise Agreement at Section 4.2.) (See “Training” below in this Item 11 for further details.) As of the issuance date of this Disclosure Document, the Operations Manual contains 132 pages. A copy of the table of contents of this Manual is attached to this Disclosure Document as Exhibit B.

**Initial Training:** We will provide Initial Training to one of the owners of your franchised business within 60 days of our signing the Franchise Agreement. We may provide it to your manager or additional owners if we have room at the training. You must pay a training fee of \$150 per individual who attends the training. (Franchise Agreement at Section 4.3.) (See “Training” below in this Item 11 for further details.)

During the operation of your business, we will provide the following services:

**Regional Customer Account Business:** After you meet our opening requirements, we may offer you the opportunity to service locations in your Designated Area of our Regional Customer Accounts. (Franchise Agreement at Section 4.6.)

**Activation Services:** We will provide you with a form of contract to use with customers you obtain on your own, and approve or disapprove any changes to this form, the contract you ultimately seek to use if different from the form, and any amendments to any signed contracts. (Franchise Agreement at Section 4.7, 7.11.) You may determine the price you charge for services to accounts you obtain without our assistance. You will also execute the contract with the customer, but we can take an assignment of the contract if you do not wish to continue servicing the account.

**Log Books:** If we provide you with a Regional Customer Account we will provide that Account with your email address and we may issue one communications log book for each facility of the Account you service. If it is missing from the facility, we can provide a replacement log book (Franchise Agreement at Section 7.7).

**Project Services:** If a Regional Customer Account requests Project Services at a location in your Designated Area that you are servicing, we will offer you the first opportunity to perform the requested service so long as we think you have the necessary expertise and training to perform this service, that you can get it done within the time constraints set by the customer and you are not in default under your Franchise Agreement (Franchise Agreement at Section 4.8.) If you do not wish to perform the Project Services, we will offer the opportunity to perform the Project Services to another franchisee.

**On-going Inventory:** We may sell to you certain supplies and equipment. (Franchise Agreement at Section 4.5.) Availability of items that you may purchase from us is subject to change depending upon the cost effectiveness or practicality for us to maintain each item in our inventory or to order items from other suppliers. You must arrange for delivery and installation, if required, of these items.

**Continuing Assistance:** We will be available by telephone to answer your questions and to provide you with ongoing consultation, advice, and guidance in connection with the operation of your franchised business. (Franchise Agreement at Section 4.10.) We may also periodically telephone and/or visit the accounts you service to get customer feedback on your performance.

**Administrative Services:** We will provide you administrative services for the accounts you service. (Franchise Agreement at Section 4.9.) We send invoices to customers on or about the 20th day of each month for the cost of services and supplies that you will provide during the

following month. Where Project Services are concerned, we must receive billing information from you by the 15<sup>th</sup> of any given month to bill by the 19<sup>th</sup> of that same month in order for you to be paid the following month for those specific Services.

You are ultimately responsible for collecting payments from any accounts that you service that are not our accounts. Other than sending monthly invoices, we are not obligated to perform any other acts in order to secure payment from the customers you provide services to, including engaging attorneys or suing a customer. If you are successful in collecting partial or full payment on a delinquent account, you must remit Royalty Fees to us on the amounts collected.

**Advertising:** You must contribute 1% of your Gross Revenues to the Pro One Janitorial® advertising fund. (Franchise Agreement at Section 4.11.) We do not make payments to this fund. The purpose of the fund is to promote the brand. This means we may use monies in the fund for any purpose that promotes the Pro One Janitorial name, including creating advertising materials or public relations campaigns, to implement advertising or to solicit, obtain and administer customer accounts. We may, at our discretion, disseminate advertising by way of the Internet, or in print, radio or other local, regional or national media. These advertising materials may be created by us or by outside advertising agencies. We have no obligation to spend any amount on advertising in your Designated Area. Our only obligation to conduct advertising is in connection with this fund. Advertising monies we collect that are not used in one year are carried over to the next year. Any interest the fund earned is used for advertising before we use any principal. We may only receive payment from the fund for actual goods and services we provide to the fund. We may also allocate a portion of the fund to cover the cost of any of our employees who provide services to the fund. Although we may use funds to update our website that contains a franchise solicitation page, we will not use advertising funds principally to solicit new franchise sales. The fund is not audited but we will annually provide you, upon your request, the financial statements of the fund.

We will not place, run, or pay the costs of any advertising selected by you for your business. We do have Pro One Janitorial® marketing materials you can buy. We can revise promotional materials at our own discretion. All advertising and promotional materials (including brochures, forms, business cards, and letterhead), that you develop for your franchised business must be approved by us in advance and in writing. If you develop your own marketing materials, we may assist you to select media purchases and schedule your ongoing advertising. We may provide graphic designs, layouts and written copy for advertisements and brochures you may utilize. (Franchise Agreement at Section 4.11.)

We do not have a Franchise Advisory Council. If we institute one it may advise us on advertising policies. It would serve in an advisory capacity only and we could change or dissolve it at any time or form additional committees.

During our fiscal year ended December 31, 2022, 100% of the expenditures from the fund were on placement of print media advertising.

We do not currently have any advertising cooperatives, but we may form, change, dissolve or merge any local or regional advertising cooperative. You do not have to participate in any local or regional advertising cooperative.

You must obtain our prior written approval before you establish a website, web page, or a social networking or social media website, profile, or account relating to or making reference to us, your business, or our franchise system. You must also abide by our advertising policies and other policies, requirements and specifications we may establish.

### **COMPUTER SYSTEMS:**

You do not have to buy or use an electronic cash register. You must obtain a computer to use in your franchised business. The computer must meet our requirements. You will use the computer for communication and record keeping purposes. There is no computer software that we currently require you to use in your franchised business. The cost for a computer meeting our requirements ranges from \$1000.00 to \$2500.00.

Neither we, nor any affiliate nor any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system. You must upgrade or update your computer system and use certain software as we require at any time during the term of your franchise agreement. There is no limitation on the frequency or cost of these obligations. We will have independent access to the information that will be generated or stored in your computer system. We can access all information stored in your computer system and there are no contractual limitations on our right to access the information.

### **SITE APPROVAL:**

You operate your business from a site within your Designated Area that you select subject to our approval. We do not locate or select a site for you, negotiate the purchase or lease of a site, and we do not own premises and lease them to you. The majority of our franchisees operate their businesses from the home of an owner of the franchise. If you wish to operate from a non-residential office, you must submit the proposed location to us for approval before you sign a lease or any other agreement for use of the proposed location. We consider various factors when assessing non-residential sites including the general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, lease terms, whether other businesses operate out of the same premises, and whether the location could result in damage to our image or reputation. We do not, however, conform your premises to local ordinances and building codes or obtain any required permits for you and we do not construct, remodel or decorate your premises. We will approve or disapprove your proposed business location within 20 days after you provide us with all information we request. (Franchise Agreement at Section 3.4.) If we do not approve a site for your franchised business within 60 days of the date we sign the Franchise Agreement, we may terminate your Franchise Agreement and retain all amounts you paid to us. You must maintain any non-residential business site in accordance with our standards and image.

### **TIME FOR OPENING:**

You must open your business no later than 90 days after we sign the Franchise Agreement. We consider your business open when you have successfully completed our initial training program; satisfied our requirements related to obtaining initial supplies and equipment, including a cell phone and computer; obtained the insurance we require; and provided us with your business checking account and with a functioning email address for your business. Franchisees typically open their businesses within 60 days after they sign the Franchise Agreement. The factors that can affect this time include your availability to complete Initial Training during scheduled training sessions, and how long it takes you to complete Initial Training and to obtain supplies, equipment and other items we require before you may open your franchised business. If you do not open your business within 90 days, we may terminate your Franchise Agreement. We may retain the Initial Franchise Fee and any other amounts you have paid to us if we terminate the Franchise Agreement.

### **TRAINING:**

**Initial Training:** We will provide Initial Training to one of the owners of your franchised business within 60 days of our signing the Franchise Agreement. We may provide it to your manager or additional owners if we have room at the training. You must pay a training fee of \$150 per individual who attends the training. (Franchise Agreement at Section 4.3.) All trainees that you designate must attend the training course at the same time. Completion of the Initial Training to our satisfaction is mandatory for your designated owner. You are responsible for the travel and living expenses of your attendees while in attendance at the Initial Training program.

Initial Training sessions are scheduled on an as needed basis, but we do have limited flexibility to accommodate the availability of your trainees depending upon the schedules of our personnel and the number of new franchisees who enter our system in any given month. Initial Training information is presented through classroom lectures and discussions, demonstrations, the Operations Manual and miscellaneous printed materials, video presentations and hands-on training.

The Initial Training program instructors are Jeff Griffin and Terri VanSchyndel. Their experiences with the subjects taught come from their experiences with us and in the cleaning industry generally. Jeff Griffin, who is also our officer in charge of the training, provides the four segments of the training. He has been with us for approximately 21 years and involved in the cleaning industry for approximately 29 years. Terri VanSchyndel, may assist in providing the four segments of the training. Terri has been with us for approximately 10 years and has been involved in the cleaning industry for approximately 20 years. The subjects of our Initial Training program as of December 31, 2022 are set forth below:

## **INITIAL TRAINING PROGRAM**

<b>Subject</b>	<b>Hours Of Class Room Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Introduction To Pro One Janitorial® Franchise System	1.0	0.0	Corporate Office
Systems, Policies & Procedures / Customer Service	4.0	0.0	Corporate Office and Model Account
Staffing & Human Resources	2.0	0.0	Corporate Office
Introduction to Account Sales	1.0	0.0	Corporate Office
Total Hours	8	0	

If we determine that your designated owner has failed to satisfactorily complete Initial Training within 60 days of the date we sign your Franchise Agreement, we may terminate your Franchise Agreement. If we terminate your franchise we will retain the Initial Franchise Fee and any other amounts you have paid us.

**Additional Training:** If you would like to provide Project Services you may need to complete additional training related to those services or if you are required by an account to complete additional training. If so, we will provide you with that training. The cost of this training is \$150 per person. (Franchise Agreement at Section 4.8.)

We attempt to hold a non-mandatory conference for all franchises each year to discuss system and industry developments. We strongly recommend that your owners and any managers attend and participate in all non-mandatory additional training sessions, seminars, conferences and refresher courses.

### **ITEM 12**

#### **TERRITORY**

You have no rights in any Regional Customer account we provide you with an opportunity to service. We will provide a Designated Area in your Franchise Agreement. Depending upon your location, your Designated Area is generally the county in which your business site is located.

The site for your franchised business must be located in your Designated Area and must be approved by us. There are no restrictions on us from soliciting customers, performing services or granting others the right to perform services in your Designated Area or to customers to whom you are providing services. For example, we may establish other franchisees within your Designated Area who will be licensed to use our marks who may compete with you. We may also establish a company owned outlet or “in-house operation” conducting business under the same trademark within your Designated Area that may compete with you. We do not promise or grant any franchisee the right to operate their business on an exclusive or partially exclusive



basis. Another franchisee may be located in your Designated Area. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We do not prevent any of our franchisees from advertising their business, or soliciting or servicing customers outside their Designated Area. Aggressive franchisees may solicit or service customers in your Designated Area. You have no right to use other channels of distribution, including the Internet, catalog sales, telemarketing, or other direct marketing, to make sales, unless we approve these channels before you use them, including approval of any website, web page, or social media or social networking site, profile or account relating to us, your business, or our franchise system.

We may solicit business from the accounts you service and any other prospects located in, or that have locations in, your Designated Area. If we have a Regional Customer Account with locations in your Designated Area and we have the opportunity to service them we will give you the first opportunity to service them assuming you are in good standing with us, otherwise meet our requirements and you pay us the Regional Customer Account Fee for the business. If you do not want to service the location, we may offer the business to another franchisee. If the business is from a Regional Customer Account that you service, but at a separate facility that you do not service that is not in your Designated Area, we will determine which franchisee to offer the business to and we are not obligated to offer it to you.

We may use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Designated Area using our marks, including any of our marks that are different from the ones that you will use under the Franchise Agreement. As of the date of this Disclosure Document, neither we nor any affiliate operates, franchises, or has plans to operate a business under a trademark different than the Pro One Janitorial® mark, but we reserve the right to do so. We will not pay you any compensation for soliciting or accepting orders from accounts in your Designated Area.

You have no right to relocate your franchised business. Although we have no obligation to approve the relocation of your business, we may if we conduct business in the area that you wish to relocate to and we have determined that the area that you wish to relocate to is not already saturated with janitorial service providers. You have no right to establish any additional franchised outlets, nor do you have any options, rights of first refusal or similar rights to acquire additional franchises.

### **ITEM 13**

#### **TRADEMARKS**

We grant you the right to use certain trademarks, service marks and other commercial symbols in the operation of your franchised business. You must follow our rules, policies, procedures and guidelines when using our marks.

We registered the service mark “Pro One Janitorial”, on the Principal Register of the United States Patent and Trademark Office on September 9, 2008, Registration No. 3498836.

We also registered the service mark “Pro One Janitorial plus design”, on the Principal Register of the United States Patent and Trademark Office on December 2, 2008, Registration No. 3539790.

There are no currently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceedings, or any pending material litigation, involving the Pro One Janitorial® mark.

We have filed all affidavits required to preserve and renew these marks. There are no agreements that limit our rights to use or license use of these marks for the operation of a Pro One Janitorial business. We are not aware of any infringing uses that could materially affect your use of the Pro One Janitorial® mark. If you learn of an infringement of or challenge to your use of this mark, you must immediately notify us, and we will take the action we think is appropriate. We are not required to pay for your defense if a third party sues you and claims that it holds superior rights to the use of any of our marks. If we elect to take action in any matter, you must join us as a party to the action, or allow the action to be brought solely in your name, but only as we direct. Under no circumstances will we be liable to you for any damages or other losses you may suffer as a result of any limitation or diminishment in the rights that we granted to you to use our marks.

If we, at any time, believe it is advisable to modify or discontinue the use of any mark that we license to you, you must comply with the changes. You must implement all changes to the marks in the operation of your business at your sole cost and expense within 45 days after you receive notice from us. You must also make changes in your use of the marks as we determine may be necessary resulting from any legal claims made by third parties. You may not make any changes to the marks unless we direct you to do so.

You cannot use “Pro One Janitorial®” or our other marks as part of your corporate or other legal name or with modifying words, designs or symbols. You may not use all or part of “Pro One Janitorial®” or our other marks, or any variant, in a domain name, account name, profile or URL without our prior written consent. Otherwise, you may use the marks to identify and advertise your business. You cannot use our marks for the performance or sale of unauthorized services or products or in any manner we do not authorize in writing.

You must clearly identify your franchised business as being operated as an independent business on the basis of a license that we have provided to you. Identification must be clearly indicated on your business checks, stationary, purchase orders, business cards, receipts, telephone and directory listings, advertising (including with respect to all websites, web pages, social media and social networking sites, profiles and accounts that make reference to us, your business, or our franchise system), signs, displays identifying the business, promotional materials, and all other documents that bear the marks we own. You may not use any language or display the marks in a way that creates the impression that you own the marks.

You may not attempt to register with any state or other government agency the trademark or service mark "Pro One Janitorial®" or other trademarks, service marks, or logos that we develop for your use in your business. You may not contest our rights to the trademarks, trade secrets or business techniques that are part of our business.

In order to maintain the quality reputation and the rights in the marks, all goods and services and promotional packages or material relating to the goods and services containing the marks must receive our approval. We will grant or withhold this approval in our sole discretion.

If you are operating your franchised business from a location other than a residence, you must display signs that are clearly visible to the general public indicating that the business is independently owned and operated. We may remove any unapproved signs from the business premises or remove any unapproved advertising without incurring any costs for those items. You must conform to the common image and identity created by the services and products sold and associated with our marks.

#### **ITEM 14**

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

There are no patents or pending patent applications that are material to the purchase of a Pro One Janitorial® franchise.

We claim copyright protection for our manuals, advertising and promotional materials, forms, and related materials that are produced, but we have not registered these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are no currently effective determinations of the Copyright Office of the Library of Congress or any court regarding any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will include information contained in our manuals, and in materials separately provided to you. You may use these materials, in the manner we approve, in the operation of your business during the term of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. This includes information about our sources of supply, and our recommendations on pricing. You may disclose this information to your personnel, but only to the extent necessary to operate the business, and then only while your Franchise Agreement is in effect.

## **ITEM 15**

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

If you have only one owner, that owner must participate personally in the direct operation of your business. If you have more than one owner, direct supervision of your business must be done by an individual who owns at least 25% of the voting control of the business.

You must arrange for all labor, equipment and supplies necessary to properly service accounts. You must ensure all services are performed in a good and workmanlike manner, to the satisfaction of the customer, and in accordance with our standards.

All owners of the business that is the franchisee and each of their spouses must sign a Personal Unlimited Guaranty under the terms of which each owner and spouse agrees to personally and unconditionally guarantee the entity's obligations under the Franchise Agreement and to be personally bound by and personally liable for the breach of any provision of the Franchise Agreement.

## **ITEM 16**

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

You may not offer products or services that we have not approved. You must offer all goods and services that we designate. We may add additional products and services that you must offer or modify existing products and services that you are authorized to offer. If we add or modify existing products or services that you must offer, we may require you to obtain special training and certification. There is no limit on our right to do any of these things. If you operate your business from a non-residential location, you may not operate another business from that location.

**Who You May Sell To:** You may only perform services at industrial, institutional, retail, and other commercial facilities through your franchised business. You may not knowingly solicit, interfere, or otherwise contact a current or prospective customer of another Pro One Janitorial® franchise. If you solicit a prospective customer and discover that the customer will be receiving, or has received, a bid proposal from us or a Pro One Janitorial® franchisee, you must withdraw your bid proposal and refrain from any further solicitation of the customer until a decision has been made on the original bid proposal.

**Pricing:** Prices to be charged to your customers for products and services are strictly up to you for any customers that you obtain through your own efforts. However, we will determine prices to be paid by Regional Customer Accounts that we establish.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

#### THE FRANCHISE RELATIONSHIP

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.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the franchise term	Section 2.1	5 years.
b. Renewal or extension of the term	Section 2.2	If you have complied with all the terms and conditions of your Franchise Agreement, you may renew for an additional 5 year term.
c. Requirements for franchisee to renew or extend	Section 2.2	You must tell us at least 270 days in advance, sign the current form of agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay renewal fee, sign release.
d. Termination by franchisee	Section 10.5	You may terminate the Franchise upon 120 days' notice to us.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	Section 10	We may terminate if you default.
g. "Cause" defined – curable defaults	Section 10.1	You have 15 days to cure non-payment of fees; you have 30 days to cure most other defaults.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
h. "Cause" defined – non-curable defaults	Section 10.3	Repeated defaults even if cured, charged with work-related crime, conviction of felony, declaration of mental incompetence, abandonment, bankruptcy, violation of covenants of non-competition or confidentiality, material misrepresentation in franchise application, unauthorized discontinuation of services to a customer, misrepresentation of Gross Revenues, trademark misuse, unapproved transfer, diversion of business.
i. Franchisee's obligations on termination/non-renewal	Section 11	Obligations include complete de-identification, return of all confidential and proprietary materials, return of customer documentation and security devices, transfer to us of certain web sites, domain names, social media sites, and payment of amounts due (see also r below).
j. Assignment of contract by franchisor	Section 9.6	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 9.1	Includes transfer of contract, sale, lease of assets of your franchised business, transfer of interest in you or your franchised business.
l. Franchisor approval of transfer by franchisee	Section 9.1	We must approve all transfers.
m. Conditions for franchisor approval of transfer	Section 9.2	New franchisee must qualify, transfer fee paid, purchase agreement approved, training completed, release signed by you, and new franchise agreement signed by new franchisee (see also r below).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 9.3	We can match any offer for your business.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
o. Franchisor's option to purchase franchisee's business	Section 11.2	If you do not wish to continue servicing an account of yours, we can take an assignment of that account, without compensation to you.
p. Death or disability of franchisee	Section 9.4	If an owner of an interest in you dies or becomes incapacitated, the owner's interest in you can be assigned to the owner's heirs or other assignee so long as the heirs or assignee successfully complete the initial training program if the owner was operating the franchised business, pay us a reduced transfer fee and meet our other conditions to transfer.
q. Non-competition covenants during the term of the franchise	Sections 13.1 and 13.2	No diversion of business or customers from us or our franchisees.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.6 and 13.2	For 18 months after expiration, termination or transfer, no solicitation for maintenance or cleaning services of customers that you serviced, we serviced or were serviced by other franchisees during the one year period before the expiration, termination or transfer of your Franchise Agreement.
s. Modification of the agreement	Section 21.2	No modifications without consent of all parties, but Operations Manual subject to change.
t. Integration/ merger clause	Section 21.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 16	Except for certain claims, all disputes must be arbitrated in Green Bay, Wisconsin.
v. Choice of forum	Section 19	Litigation must be in Brown County, Wisconsin ( <i>subject to applicable state law</i> ).
w. Choice of law	Section 19	Wisconsin law applies ( <i>subject to applicable state law</i> ).

## **ITEM 18**

### **PUBLIC FIGURES**

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

## **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 the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

We do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our Vice President, Jeff Griffin, 1101 Ashwaubenon Street, Green Bay, Wisconsin, 54304, (920) 339-1014, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

<b>Systemwide Outlet Summary for Years 2020-2022<sup>1</sup></b>				
<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>
Franchised	2020	113	116	+3
	2021	116	115	-1
	2022	115	115	0
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	113	116	+3
	2021	116	115	-1
	2022	115	115	0



1. All numbers are as of December 31.

Table No. 2

<b>Transfers of Outlets from Franchisee to New Owner (other than Franchisor) For Years 2020-2022<sup>1, 2</sup></b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Wisconsin	2020	5
	2021	5
	2022	1
Total	2020	5
	2021	5
	2022	1

1. All numbers are as of December 31.
2. Does not include transfers or beneficial ownership if less than 50% of the franchise did not change or circumstances where an individual transferred the franchise to his or her corporation or other entity.

Table No. 3

<b>Status of Franchised Outlets for Years Ended 2020-2022<sup>1</sup></b>								
<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>Re-acquired by Franchisor</b>	<b>Ceased Operations-Other Reasons</b>	<b>Outlets at End of the Year</b>
Wisconsin	2020	113	7	3	1	0	0	116
	2021	116	0	0	1	0	0	115
	2022	115	2	0	2	0	0	115
Total	2020	113	7	3	1	0	0	116
	2021	116	0	0	1	0	0	115
	2022	115	2	0	2	0	0	115

1. All numbers are as of December 31.

Table No. 4

<b>Status of Company-Owned Franchised Outlets for Years Ended 2020-2022<sup>2</sup></b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened During Year</b>	<b>Outlets Reacquired from Franchisee</b>	<b>Outlets Closed During Year</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at Year End</b>
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

<b>Status of Company-Owned Franchised Outlets for Years Ended 2020-2022<sup>2</sup></b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened During Year</b>	<b>Outlets Reacquired from Franchisee</b>	<b>Outlets Closed During Year</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at Year End</b>
	2022	0	0	0	0	0	0

1. All numbers are as of December 31.

Table No. 5

<b>Projected Openings as of December 31, 2022</b>			
<b>State</b>	<b>Franchise Agreement Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets In The New Fiscal Year</b>
Wisconsin	0	10-15	0
Total	0	10-15	0

1. We will be looking for franchisees in Wisconsin. However, since we have not signed Franchise Agreements, we cannot say that we will find any franchisees or that we will not open more outlets than we have projected. We continue to look for franchisees and will open additional franchises in this year if and when we find qualified franchisees. In total, we project we will open as few as 10 new franchise outlets in this fiscal year, and as many as 15.

The name of each of our franchisees and the address and telephone number of each of their outlets as of December 31, 2022, is attached as Exhibit E. The name, city and state, and current business telephone number or if unknown, the last known home telephone number, of each franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the fiscal year ended December 31, 2022, or has not communicated with us within 10 weeks of the effective date of this Disclosure Document is listed below:

<b>Franchisee</b>	<b>City and State</b>	<b>Telephone Number</b>
AM Cleaners LLC	Fond du Lac, Wisconsin	608-359-4901
Custodio Cleaning LLC	Green Bay, Wisconsin	920-664-3283
Four Season Cleaning LLC	Green Bay, Wisconsin	920-265-5401
Midwest Janitorial Service LLC	Kronenwetter, Wisconsin	715-301-8302
Fullcleaningserv LLC	Lake Geneva, Wisconsin	847-373-8290
Star One Janitorial LLC	Milwaukee, Wisconsin	414-252-8535

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

**ITEM 21**

**FINANCIAL STATEMENTS**

Our audited financial statements for our fiscal years ending December 31, 2022, 2021 and 2020 are attached as Exhibit F.

**ITEM 22**

**CONTRACTS**

Our Franchise Agreement is attached as Exhibit C; Promissory Note as D; Personal Unlimited Guaranty as D1; Inventory Package as D2; Supply Requisition Agreement as D3; Regional Customer Account Acceptance/Denial Form as D4; Transfer, Consent and Release Agreement as G.

**ITEM 23**

**RECEIPTS**

The last 2 pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document.

## EXHIBIT A

### LIST OF STATE ADMINISTRATIVE AGENCIES AND AGENT FOR SERVICE OF PROCESS

#### CALIFORNIA

California Department of Financial  
Protection and Innovation  
Department of Financial Protection  
and Innovation  
320 West Fourth Street, Suite 750  
Los Angeles, California 90013-2244

#### FLORIDA

Department of Agriculture and  
Consumer Services  
Division of Consumer Services  
407 South Calhoun Street  
Tallahassee, Florida 32399-0800

#### HAWAII

Commissioner of Securities of Department  
of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Suite 333  
Honolulu, Hawaii 96813-2921

#### ILLINOIS

Attorney General State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

#### INDIANA

##### Agent:

Indiana Secretary of State  
200 West Washington St., Room 201  
Indianapolis, Indiana 46204

##### Administrator:

Securities Commissioner  
Indiana Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204

#### MARYLAND

##### Registered Agent:

Maryland Securities Commissioner  
200 Saint Paul Place  
Baltimore, Maryland 21202

##### State Authority:

Office of the Attorney General  
Securities Division  
200 Saint Paul Place  
Baltimore, Maryland 21202

#### MICHIGAN

Michigan Attorney General  
Consumer Protection Division  
Attn.: Franchise  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48909

#### MINNESOTA

Commissioner of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198

#### NEBRASKA

Department of Banking and Finance  
1526 K Street, Suite 300  
Lincoln, Nebraska 68508

#### NEW YORK

##### Agent:

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6th Floor  
Albany, New York 12231-0001

##### Administrator:

Investor Protection Bureau  
Office of the New York State Attorney  
General  
28 Liberty Street  
New York, New York 10005

NORTH DAKOTA

North Dakota Securities Department  
Service of Process: Securities Commissioner  
State of North Dakota  
State Capitol – 14th Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505-0510

OREGON

Oregon Corporation Division  
Labor and Industries Building  
Salem, Oregon 97310

RHODE ISLAND

Director, Dept. of Business Regulation  
Securities Division  
Building 69-1  
John O. Pasture Complex  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

SOUTH DAKOTA

Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501

TEXAS

Secretary of State  
Business Opportunities Section  
P.O. Box 13563  
Austin, Texas 78711

UTAH

Department of Commerce  
Division of Consumer Protection  
160 East 300 South  
P.O. Box 45804  
Salt Lake City, Utah 84145-0804

VIRGINIA

Service of Process:  
Clerk, Virginia State Corporation  
Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219  
State Agency:  
State Corporation Commission, Division of  
Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98507

WISCONSIN

Administrator, Division of Securities  
Dept. of Financial Institutions  
Franchise Investment Division  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

EXHIBIT B

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**PRO ONE JANITORIAL, INC.**

**FRANCHISE AGREEMENT**

This Franchise Agreement (the "Agreement") is made and entered into by and between Pro One Janitorial, Inc., a Wisconsin corporation (hereinafter "Franchisor" or "Pro One Janitorial" or "we", "us" or "our"), and \_\_\_\_\_, \_\_\_\_\_ (hereinafter, "Franchisee" or "you" or "your"). (Franchisor and Franchisee are referred to together in this Agreement as the "Parties.") Franchisee is doing business as a:

- \_\_\_\_\_ Corporation, incorporated under the laws of \_\_\_\_\_;
- \_\_\_\_\_ Partnership; or
- \_\_\_\_\_ Limited liability company, organized under the laws of \_\_\_\_\_.

Franchisee represents that the names, addresses, phone numbers, social security numbers, and ownership percentages are set forth immediately below for each and every owner of Franchisee, whether such be a partner, shareholder, member, or other principal owner (together with the individuals listed on the "Schedule of Principals", called the "Principals"):

<u>Principal</u>	<u>Address</u>	<u>Phone #</u>	<u>S.S.#</u>	<u>% Interest *</u>
------------------	----------------	----------------	--------------	---------------------


\* This indicates the percentage ownership of the outstanding stock of the corporation and/or capital and/or profits and/or membership interest of the entity. Franchisee shall immediately notify Franchisor of any changes in this information.

FEDERAL I.D. # OF FRANCHISEE: \_\_\_\_\_ DESIGNATED AREA: \_\_\_\_\_

EFFECTIVE DATE: \_\_\_\_\_

DOWN PAYMENT: \$ \_\_\_\_\_ AMOUNT FINANCED @ 12% PER ANNUM: \$ \_\_\_\_\_

FINANCING TERMS: 12 MONTHS AMOUNT OF MONTHLY INSTALLMENT: \$ \_\_\_\_\_

The first installment of principal and interest is due and payable on \_\_\_\_\_

Address for mailing notices to Franchisee:

\_\_\_\_\_

Franchisee:

\_\_\_\_\_

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

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



## **RECITALS**

A. We own the service marks “Pro One Janitorial<sup>®</sup>” and “Pro One Janitorial Plus Design<sup>®</sup>”. We grant to others franchises to use our system to sell and perform janitorial and maintenance services to commercial facilities under our Marks (as defined below) (the "Franchise System"). We have developed products, formats, formulae, standards, methods, procedures, information, knowledge and practices used in the operation of those franchised maintenance and janitorial businesses. You acknowledge that neither you nor any of your Principals possessed knowledge of our products, formats, formulae, procedures, business methods, and information or knowledge pertaining to our business before the date you signed this Agreement, other than as disclosed in the Franchise Disclosure Document.

B. You intend to join our Franchise System and you desire access to our products, formats, formulae, procedures, business methods, business forms, business policies and knowledge pertaining to the operation of franchised businesses operated under the Marks. In addition, you wish to receive the benefit of our training, reputation, and operational assistance including access to information pertaining to new developments and techniques in our business.

C. You are granted the right to use the Marks in accordance with the terms and conditions of this Agreement.

D. All trademarks, trade names, service marks, logotypes and other commercial symbols that we provide you for use from time-to-time (collectively, the “Marks”), as well as all processes, trade secrets, trade practices, copyrights, manuals, goodwill, and all other items, tangible or intangible, used presently or in the future in connection with the Franchise System are referred to in this Agreement as "the Assets" and remain exclusively our property throughout the entire term of this Agreement and after the term, with the exception of specific items of equipment, inventory and/or supplies that you may purchase from us or third parties.

E. You are responsible for obtaining your own customer accounts to service. We may obtain customer accounts, the servicing of which we assign to our franchisees in accordance with the terms and provisions of each franchisee’s franchise agreement. All of these customer accounts remain our sole property. Any accounts we assign to you we will refer to in this Agreement as “Regional Customer Accounts”. We may take an assignment of your right to perform services for any or all of the Franchisee Procured Accounts under certain circumstances. If that occurs, these accounts will then be considered Regional Customer Accounts under this Agreement. We refer to any accounts or customers you service under this Agreement as the “Customer Accounts”.

For and in consideration of the mutual promises and covenants contained herein, the preceding Recitals are incorporated into this Agreement and the Parties agree as follows:

### **1. GRANT OF FRANCHISE**

Upon execution of this Agreement by the Parties and payment by you of the "Initial Franchise Fee", as well as the other fees described in this Agreement, we grant you a license (the

"Franchise") and the right, subject to the terms and conditions of this Agreement, to operate a maintenance and commercial cleaning business under the Pro One Janitorial® name (the "Franchised Business").

## **2. TERM AND RENEWAL**

2.1 *Term.* This Agreement is for an initial term of 5 years, unless sooner terminated in accordance with this Agreement. The commencement date of this initial term is the date that we sign this Agreement. Upon expiration of the initial term of this Agreement, you have no further rights in the Franchise or the Agreement or the right to service the Regional Customer Accounts, unless your Franchise has been properly renewed as provided below.

2.2 *Exercise of Renewal Option.* If you have not defaulted under this Agreement before the end of the 5 year term, you may renew your Franchise for an additional consecutive 5 year term. You must give us notice of renewal at least 270 days before expiration of the term. You must sign a new franchise agreement and Renewal Form attached as Attachment One which will be that franchise agreement in use in our Franchise System at that time, and which will contain new terms and conditions which differ substantially from this Agreement, and which will be modified to reflect that it is a renewal franchise. You must also sign all other agreements and legal instruments we are using in the grant of new franchises at that time. At the time of renewal, you are not required to pay any additional "Initial Franchise Fee" but you must pay us a renewal fee of \$1,500.00 (the "Renewal Fee"). At the time of renewal, you and your Principals must sign a general release, in a form prescribed by us, of any and all claims, known or unknown, against us and our officers, directors, agents and employees. If, prior to the expiration of the term, you have not signed the new franchise agreement which we made available for you to sign, paid the Renewal Fee to us, or executed the general release of claims, the Franchise will automatically terminate upon expiration of the term without the need for any further action.

## **3. DESIGNATED AREA; OPENING**

3.1 *Designated Area Description.* Your Franchised Business must be operated from a site that we approve within the non-exclusive geographic marketing area on the cover page of this Agreement (the "Designated Area"), and no other.

3.2 *Non-Exclusive Territory.* You are not granted a protected or exclusive territory. We make no guarantees, warranties, or representations that another franchisee will not be located within the Designated Area or within a specific geographic proximity of your Franchise. We assign franchises at our own discretion and reserve the right to assign as many franchises as we deem necessary to fulfill the business potential of any geographic area. We or our affiliates may also conduct business under the Marks or different trademarks within or outside your Designated Area and may compete with you. We may provide services to Customer Accounts to whom you are providing services. We may use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing sales, to make sales within and outside of your Designated Area using any of the Marks or marks that are different from the Marks.

3.3 *Opening Requirements.* You must open your Franchised Business no later than 90 days after the date we sign this Agreement. “Open” means that you have successfully completed the Initial Training program, submitted proof of the required insurance, established a business checking account, obtained a cell phone and an active email address, have met our requirements as they relate to your initial inventory and equipment, including retaining a computer, and are authorized by us to begin servicing Customer Accounts. If your Franchised Business is not open by the end of this 90 day period, we may, in our sole discretion, terminate this Agreement. If in this situation we decide to terminate your Agreement, we may retain your Initial Franchise Fee and any other amounts you have paid to us.

3.4 *Location Approval.* You must operate the Franchised Business from an office located at the home of one of your Principals or a non-residential location. You may not operate it from a post office box. The site of your Franchised Business must be approved by us. If you wish to operate an office outside of the home of one of your Principals, you must submit the proposed location to us for approval before you sign a lease or any other agreement for use of the proposed location. We will approve or disapprove your proposed business location within 20 days of the date you provide us with all information we request related to the location, if you choose to operate from a non-residential location. If we do not approve a site for your Franchised Business within 60 days after the date we sign this Agreement, we can terminate this Agreement and retain all amounts you paid to us. If you choose to operate your Franchised Business from a non-residential location, you must maintain the location and all fixtures, furnishings, signs and equipment in good order and condition, and in conformity with our standards. Further, you may not operate another business out of the same premises without our prior written consent.

3.5 *Relocation.* You have no right to relocate your Franchised Business. However, we may approve a relocation of your Franchised Business if we conduct business in the area that you wish to relocate to and we have not determined that the area that you wish to relocate to is already saturated with janitorial service providers.

#### **4. OBLIGATIONS OF FRANCHISOR**

During the term of this Agreement we will provide to you, at times and in methods and manners as we in our sole discretion determine, the following services:

4.1 *Use of Our Marks & Proprietary Information.* We grant you the non-exclusive right to use our Marks, and such other proprietary information we may provide to you from time to time in the promotion and operation of your Franchised Business so long as you comply with this Agreement and our standards, rules, policies, procedures and guidelines when utilizing the same. The Marks and any other proprietary information we allow you to use is our property. All improvements to the Marks and any other proprietary information also become our property. Trademarks, trade names, service marks, logotypes, designs, patents, copyrights, and/or other commercial property or symbols may be registered by us in our name and licensed to you to the extent that we may specify in the future. Upon the expiration without renewal, termination or assignment of this Agreement, you must file a Notice of Abandonment of the use of any Marks included in your trade name with the appropriate governmental agency. You appoint us as your

attorney-in-fact to sign your name to such notices, as may be necessary, if you fail or refuse to file the same.

4.2 *Operations Manual.* At or before the time your personnel attend Initial Training, we will loan to you one or more Operations Manual, which includes our trade and operating procedures as well as trade secrets that you and your personnel must maintain confidential. The Operations Manual always remains our property and must be returned to us immediately if this Agreement expires and is not renewed, is terminated or assigned. We may amend the Operations Manual from time to time and you must update your materials as revisions are provided to you and abide by all amendments. If there is any dispute as to the content of the Operations Manual, the terms of the master copy maintained at our corporate office control. We may provide a copy of the Operations Manual and any revisions and updates by electronic mail, Internet, Intranet or other electronic means. The Operations Manual may not be copied in whole or in part. You acknowledge that the Operations Manual is designed to protect our standards and systems, and the Marks, and not to control the day-to-day operation of the Franchised Business. You must comply with all rules, regulations and directives contained in this Agreement, as well as all mandatory standards, specifications and procedures contained in the Operations Manual, as amended from time to time, as well as all laws, rules and regulations affecting the Franchised Business. We can modify or change any such rules, regulations, directives or standards.

4.3 *Initial Training.* We provide our Initial Training program for one of the owners of your Franchised Business within 60 days of our execution of this Agreement. We may provide it to your manager or additional owners if we have room at the training. You must pay a training fee of \$150 per individual who attends the training. Completion of Initial Training to our satisfaction, within 60 days after we sign this Agreement, is mandatory for your designated owner of the Franchised Business. If we determine that your designated owner has failed to satisfactorily complete Initial Training within 60 days of the date we sign this Agreement, we may terminate this Agreement. If we terminate this Agreement we will retain the Initial Franchise Fee and any other amounts you have paid us. You are responsible for the travel and living expenses of your enrollees while in attendance at the Initial Training program.

4.4 *Specialized Training.* In addition to the Initial Training program outlined above, specialized training sessions may also be mandated, such as to satisfy OSHA, other governmental requirements or customer specific requirements. We may also, in our sole discretion, offer non-mandatory training courses. In our sole discretion, we may utilize specialized training sessions, franchise conferences, the Pro One Press™ newsletter, written notices, Operations Manual updates, e-mail, telephone conferences and/or personal consultations to apprise you of relevant improvements and developments in the Franchise System and in the maintenance and commercial cleaning industries. If you elect to provide Project Services, you must obtain certification from us to perform these services regardless of the type of Customer Account. You must pay our then-current cost for this training. We attempt to hold a non-mandatory conference for all franchises each year to discuss system and industry developments. We strongly recommend that your Principals and managers attend and participate in all non-mandatory specialized training sessions, seminars, conferences and refresher courses. We do not represent that you will attain any income or sales whatsoever as a result of the training we provide. There may be fees that you must pay to

attend specialized training. You are also responsible for the cost of any housing, transportation and living expenses for your enrollees when attending any training program.

4.5 *Initial Inventory of Equipment & Supplies/Marketing Materials.* At the time you begin to operate your Franchised Business you must have equipment and supplies that meet our specifications. You may also purchase from us a startup kit of printed marketing materials to advertise your Franchised Business. If you elect to purchase supplies, you must sign a Supply Requisition Agreement upon delivery of the supplies to you. The cost of supplies purchased may be paid in full upon delivery or deducted from your monthly Franchise Report. Availability and cost of items that you may purchase from us is subject to change.

4.6 *Regional Customer Account Fee.* After you meet our opening requirements, we may offer you the opportunity to service an account of ours in your Designated Area, which we refer to as a “Regional Customer Account”. We are not required to offer you the opportunity to service any accounts, including a Regional Customer Account. If you accept our offer to service a Regional Customer Account, you will pay us an amount equal to two (2) times the monthly revenue to be generated by the Account. If you want to accept one of these Accounts, you must execute a Regional Customer Account Acceptance/Denial Form. If we increase the price to be paid by an Account by more than Ninety-Nine Dollars (\$99.00) per month during the time you are servicing that Account you must pay us an additional Regional Customer Account Fee of the increased amount determined by multiplying the increase by two. We may modify the way we calculate, and the amount of the Regional Customer Account Fee. You must pay all Regional Customer Account Fees even if the Customer Account is cancelled.

4.7 *Activation Services.* We will provide you with a form of contract to use with customers you obtain on your own, and approve or disapprove any changes to this form, the contract you ultimately seek to use if different from the form, and any amendments to any signed contracts. You may determine the price you charge for services to accounts you obtain without our assistance. You will also execute the contract with the customer, but we can take an assignment of the contract if you do not wish to continue servicing the account.

4.8 *Project Services.* Project Services are restorative one-time only services requested by a customer, such as construction clean-up, window cleaning or floor care (“Project Services”). In order to be eligible to perform Project Services, you must be trained and certified by us to perform a particular requested service. This may require you to attend advanced project training sessions related to those services or if you are required by an account to complete additional training. You must pay our then-current training fee for this training before attending the training. As of the Effective Date, the fee for this training is \$150 per person. The Gross Revenues from all Project Services performed by you regardless of the Account, are subject to a 15% Royalty Fee based on the Gross Revenue from these services. You must obtain all equipment and supplies necessary to complete the request for Project Services. You must submit a work order to us for Project Services signed by the Account indicating that the Project Services were performed to the satisfaction of the Account.

4.9 *Administrative Services.* We will provide you administrative services for the Customer Accounts you service, which includes Regional Customer Accounts. We pre-bill and send invoices to accounts on the 20<sup>th</sup> day of each month for the cost of services and supplies that you will provide during the following month. We must receive billing information from you by the 15<sup>th</sup> of any given month to bill by the 19<sup>th</sup> of that same month. Deducted from your monthly Franchise Report payment are all sums owed to us by you. All payments remitted to us by the Customer Accounts and all credits due you will be applied to your then due or past due obligations under this Agreement and all other agreements that we may enter into with you, on whatever basis we deem acceptable.

You are ultimately responsible for collecting payments from any accounts that you service, other than Regional Customer Accounts. Other than sending monthly invoices, we are not obligated to engage attorneys, commence litigation, or perform any other acts in order to secure payment from the Customer Accounts. If we elect to pursue payment from a Customer Account, then you must reimburse us for all attorney's fees, court costs, and other expenses incurred in pursuing payment from the Account. If you are successful in collecting partial or full payment on a delinquent Account, you must remit Royalty Fees to us on the amounts collected. You must keep us apprised of any action you take to pursue payment from a delinquent Account, including the outcome of any such action. We retain the right to grant a security interest in the accounts receivable related to Regional Customer Accounts, as they are our exclusive property.

For the services we perform in this Section, you must pay us a monthly administrative fee equal to 9% of Gross Revenues during each corresponding month (the "Administrative Fee"). Payment of the Administrative Fee begins on the 28th day of the month in which you begin receiving revenues for services rendered. We send you a monthly report showing how we computed the Administrative Fee.

4.10 *Telephone & Customer Relations Assistance.* We will be available by telephone to answer your questions and to provide you with ongoing consultation, advice, and guidance during normal business hours with respect to the Franchised Business. We may also, at our discretion, periodically telephone and/or inspect the Accounts you service to ensure compliance by you with our standards. You must abide by all directives and requests communicated by us or a Customer Account, subject to our approval, concerning the servicing of the Customer Account.

4.11 *Advertising & Marketing Assistance.* On or before the 28th day of each month for the prior month, you must pay us a monthly "Advertising Contribution" of 1% of Gross Revenues for the prior month. We deposit Advertising Contributions into an Advertising Fund. Your obligation to make this payment commences at the same time as the Royalty Fee payment. We are not required to conduct advertising in your Designated Area. We will not place, run, or pay the costs of any advertising selected by you for your Franchised Business. We will revise promotional materials at our own discretion. If you elect to develop your own advertising and promotional materials (including brochures, forms, business cards, and letterhead), all materials must be approved by us in advance and in writing. If you elect to develop your own marketing materials, we will assist you to select media purchases and schedule your ongoing advertising. We will provide graphic designs, layouts and written copy for advertisements and brochures you may

utilize. You must pay production costs for items such as camera-ready ad slicks and typesetting of specific ads for your Franchised Business. You acknowledge that you are solely responsible for all content of advertising that you provide to us and our approval of any of this advertising is not a guarantee of the success of the advertising or that the content or any part thereof does not infringe on the rights of any third party. We can revoke this approval at any time. If we revoke this approval, you must stop using the advertising materials for which we have revoked our approval. You may not establish, have established on your behalf or use a website, web page, social networking or social media website, profile, domain name, username, email address, or account relating to or making reference to us, the Marks including Pro One Janitorial or any similar name, word or symbol, your business, or our Franchise System in any manner (a "Social Media Site"), without our prior written consent. Any Social Media Site approved by us must be operated and maintained by you in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards and requirements we may establish from time to time and in compliance with all applicable laws, rules, and regulations. We may, at any time, require you to remove, delete or modify any Social Media Site, or any information, content or post thereon. We will retain sole ownership of any Social Media Site that includes all or a portion of the Pro One Janitorial name or any of the Marks, or a word, phrase or symbol confusingly similar thereto or a variant thereof, as part of the domain name, username, account name, website, web page, social media or social networking site, account profile or page reference (a "Pro One Social Media Site"), as well as any domain name related thereto and all content thereon, and all such information reverts to us at the time this Agreement expires without renewal or is terminated.

4.12 *Use of Advertising Fund.* Reasonable disbursements from the Advertising Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the Franchise System, including: (i) locating, marketing and obtaining Regional Customer Accounts; (ii) development and production of advertising and promotional materials; (iii) formulating, developing and implementing advertising campaigns, promotional and public relations programs; (iv) market research; (v) all updates and redesigns of our website, or any other websites, web pages, social media or social networking sites that we establish; (vi) at our option, reimbursement of all or part of each franchisee's cost of purchasing promotional materials used in connection with promotional programs we authorize; and (vii) the reasonable cost of administering the Advertising Fund, including accounting expenses, cost of salaries and fringe benefits paid to our employees engaged in the administration of the Advertising Fund, and overhead allocated to advertising activities. All interest, if any, earned by the Advertising Fund will be used for the payment of the foregoing expenses, before application of any principal to those expenses. Methods, media employed, content of advertising, and terms and conditions of advertising campaigns and promotional programs are within our sole discretion. We may engage the professional services of an advertising agency which is owned by us, or is an affiliate of ours or any of our principals, to assist in developing and/or placing advertising, and to compensate that agency based on standard industry fees and charges. Disbursements from the Advertising Fund will not be made for the production or placement of advertising that is principally for the purpose of marketing franchise licenses.

4.13 *No Other Obligations.* With the exception of the obligations in Sections 4.1 to 4.13 concerning our initial and continuing obligations and commitments to provide assistance to you in the establishment and operation of your Franchised Business, we have no other obligations for supervision, assistance or services to you or your Franchised Business.

## **5. INITIAL FRANCHISE FEE**

5.1 *Payment of Initial Franchise Fee.* You must pay to us an “Initial Franchise Fee” of \$8,000. This Fee is fully earned by us upon execution of this Agreement. If you finance your payment of the Initial Franchise Fee you must pay us at least \$5,000 upon execution of this Agreement. The balance of the Initial Franchise Fee, plus interest on the unpaid principal amount at the rate of 12% per annum, must be paid pursuant to a Promissory Note, repayment of which is secured by a Personal Unlimited Guarantee executed by each of your Principals and each Principal’s spouse of the Franchised Business.

## **6. ROYALTY FEES**

6.1 *Royalty Fee.* Throughout the term of this Agreement, you pay to us a monthly Royalty fee (“Royalty Fee”) equal to 10% of the Gross Revenues you or a “Franchisee Affiliate” (as defined below) receive or that we receive, for general janitorial services you or a Franchisee Affiliate have performed; provided, however, the Royalty Fee is 15% of Gross Revenues for Project Services. “Gross Revenues” means all sums, property, or other value that you or a Franchisee Affiliate receive or is paid to us for your or a Franchisee Affiliate’s services. Gross Revenues do not include sales taxes or discounts. You pay us the Royalty Fee each month on the 28th day of the month. We deduct the Royalty Fee and all other amounts you owe to us from the revenues paid to us by the Customer Accounts you service and transfer the balance to you by the 28th day of each month following the month that the Customer Account remits payment. Payment of the Royalty Fee begins on the 28th day of the month following the month in which Gross Revenues are generated for services rendered by you or a Franchisee Affiliate. We send you a monthly report showing how we computed the Royalty Fee and all other amounts you owe us. For purposes of this Agreement, “Franchisee Affiliate” is any business or person controlling, controlled by or under common control with you, including any business controlled by any of your Principals or their family members.

6.2 *Late Payment Charges.* All amounts payable to us by you, including, but not limited to, Royalty Fees, Advertising Contributions, Administrative Fees, Promissory Note installments, and Regional Customer Account Fees, are due on or before the 28<sup>th</sup> day of each month. If you fail to remit any amounts on time, we can charge you interest on the unpaid amounts at a rate equal to the maximum rate permitted by law, not to exceed 1.5% per month.

6.3 *Other Fees.* You may incur other fees in conjunction with the operation of your Franchised Business. You are solely responsible for all fees that you incur to third parties. Unless stated otherwise in this Agreement, we reserve the right to alter fees charged based upon changes in market conditions, our cost of providing services and future policy changes.



## **7. FRANCHISEE'S OPERATIONS**

You must operate your Franchised Business in accordance with the following standards, terms and conditions:

7.1 *Standard Product & Service Line.* You may sell only those items, products and/or services that we specify and for which we have not revoked our approval. You must purchase all equipment, initial inventory, and all other items for the operation of your Franchised Business. If we wish to expand or modify the services and/or products offered for sale within our Franchise System, you must expand or modify the services and/or products you offer for sale to include the additional products or service and acquire the training, inventory and equipment necessary for such change or modification within 180 days after you receive written notice from us.

7.2 *Standard Equipment, Supplies & Other Purchases.* All of your equipment, supplies, insurance, bonding, and other purchases must meet our standards and specifications as they may be provided to you from time-to-time. We may modify our specifications for items that you will purchase or services you will provide and we may add additional specifications from time-to-time. We will submit modifications and additions to you in writing, and you have 30 days from our submission of the modification or addition to comply.

7.3 *Approved Suppliers.* From time-to-time, we may provide you a list of approved suppliers of equipment, supplies, insurance, bonding or other items or services necessary to operate your Franchised Business. The approved source of supply for any individual item may be us, an affiliate of ours, or an independent third party. We may also have only a single source of supply for any of these items. This source may be us, an affiliate of ours, or a third party. Unless we have specified a sole approved supplier, you are not restricted from using sources of supply other than those we have previously approved, if the other sources supply items or services of substantially the same quality and specifications as those supplied by the approved supplier. However, we may require you to obtain our written approval before you use any supplier not previously approved by us and, as a precondition to the granting of such approval, may require the proposed supplier to submit to us samples of products that the supplier proposes to sell to you for use in your Franchised Business. We grant approval of suppliers based upon their reputation, reliability, quality controls, capacity to respond to our needs promptly, price management, product knowledge, and support services. If you would like to purchase products from a third party supplier that we have not approved, you must submit all information that we request to us regarding the supplier and we will either approve or disapprove the supplier within 30 days from the date you provide us with all information we request related to the supplier. There is no fee charged for this service. We can revoke our approval of a supplier or product if we determine that it no longer meets our standards and specifications. Upon written notice of revocation, you must cease using the disapproved supplier or product. We also may require you to only use certain suppliers for certain goods or services.

7.4 *Standard Systems.* To ensure the reputation and goodwill associated with our Marks, you must follow all of our operations systems, and mandatory policies and procedures (as written and updated, from time to time, in our Operations Manual or otherwise). You must also

follow all directives issued in writing from us as well as all verbal directives and requests communicated by us during the term of this Agreement. You must conform to the common image and identity created by the services and products sold and associated with our Marks as portrayed by our Operations Manual.

7.5 *Service to Customers.* You are responsible for choosing the times at which you perform services and the means and methods you use to perform services in your Franchised Business, including appropriately staffing of your Franchised Business, all subject to your compliance with our standards. It is of the utmost importance that the services provided by you, be consistent and in conformance with those standards of quality associated with the Franchise System. You acknowledge that conformance to such standards serves to enhance the reputation and goodwill associated with our Marks only, and not to control the day-to-day operation of your Franchised Business. Accordingly, you agree as follows:

a) To maintain the quality of service of your Franchised Business in accordance with the standards set forth in the Operations Manual, and to comply with all applicable federal, state and local laws, ordinances and regulations.

b) To maintain sufficient inventory, supplies, equipment, and staff to keep your Franchised Business in normal operation and to satisfy local customer demand.

c) To comply with all reasonable requests from customers pertaining to services requested, services performed, products used, security measures, and hours of service. If an Account requests the use of certain products or equipment for the performance of maintenance or cleaning services, you must obtain and utilize such items in accordance with the Customer Account's request, subject to compliance with applicable law.

d) To immediately train and instruct your personnel in accordance with the confidential Operations Manual, and to continue such training and instruction as long as the personnel are in your organization.

e) To perform all services in a good and workmanlike manner, satisfactory to the Customer Account and in accordance with our standards.

f) We may terminate this Agreement, if we receive 2 or more complaints lodged against you by one or more Customer Accounts within a 60 day period. For the avoidance of any doubt, this would include one complaint each by two separate Customer Accounts within a 60 day period.

g) You must provide us with at least 30 days written notice before you discontinue servicing a Customer Account. In this event or if you fail to service a Regional Customer Account for a period of 2 days, we may begin servicing the Account directly or allow another franchisee to begin servicing the Account, in which event you are no longer entitled to any amounts arising out of your services to this Account (regardless of when services were rendered), and you are not entitled to any refund or rebate of any fees paid, and you must take all action we request.

h) You waive any and all claims, demands, or rights to payment for services rendered after the date that your services to a Customer Account are discontinued. You are not entitled to any refund, rebate, or reduction of any fees previously paid or promised to us in connection with your relationship or services to any Customer Account that has been discontinued.

7.6 *Pre-Termination Options.* You must abide by all directives and requests communicated by us concerning servicing of the Customer Accounts. In addition to our other remedies hereunder, we may immediately terminate your service to a Customer Account, with or without notice to you and take over the services of a Regional Customer Account or assign the services to another franchisee, all without compensation to you, under the following circumstances:

i) If we determine that your services at a Customer Account are not in conformance with our standards or our agreement for the Account if it is a Regional Customer Account, and you fail to cure the deficiency within 5 days from the issuance of the notice to you.

ii) If a Customer Account lodges an oral or written complaint with us regarding your services, and you fail to cure the deficiency within 5 days of notice to you of the deficiency, unless the complaint warrants urgent action as determined in our sole discretion in which case you must correct the deficiency within 24 hours of our notice.

iii) If a Customer Account lodges 3 or more oral or written complaints with us regarding your services within a 90 day period.

iv) If we receive a request from a Regional Customer Account that their contract for services be terminated or that the Regional Customer Account desires to be serviced by a different franchise.

v) If you fail to service the Customer Account on any 2 occasions within a 60 day period.

vi) If you are servicing the Customer Account in a capacity other than as a bona fide Pro One Janitorial<sup>®</sup> franchisee.

vii) If you bring any person(s) under the age of 18 into any Customer Account you service.

viii) If a Customer Account accuses you or one of your staff of theft.

ix) If you engage in conduct with a Customer Account or on an Account's premises that reflects materially and adversely upon our reputation, the Franchise System, our Marks or your Franchised Business.

x) If you fail to comply with Section 7.9 below.

You acknowledge that the taking of any actions permitted in this Section do not take away from you a material portion of the significant benefits provided to you under this Agreement and do not constitute a constructive termination of this Agreement. The taking of any of the actions permitted in this Section will not suspend or release you from any obligation that would otherwise be owed to us under the terms of this Agreement or otherwise.

#### 7.7 *Additional Standards.*

a) **Standards for Franchised Business Location:** You must maintain a clean and safe place of business in compliance with all laws and conduct your business in a manner that brings public approval to yourself and us. You must at all times maintain your location and its equipment, furnishings and signs in good order and in compliance with our image and standards.

b) **Standards for Attire:** All individuals performing services on your behalf must dress, during working hours, in accordance with specifications as set forth in our Operations Manual. These people must wear apparel displaying our Mark that meets our standards at all times while servicing Customer Accounts. If we visit a Customer Account and note that an individual is not attired in apparel meeting our standards, we can terminate this Agreement.

c) **Management:** Direct supervision of your Franchised Business must be performed by an individual who owns at least 25% of your voting control and this individual must use his or her best efforts in directing the day-to-day operation and development of the Franchised Business. You must obtain, from any individuals you employ in a managerial capacity, execution of a written agreement restricting the disclosure of proprietary information and competition with you and us, to the same extent as you are restricted under this Agreement. If there is a violation of that Agreement, you must take all action necessary to enforce that Agreement. If you fail to enforce that Agreement, you will be liable to us for any damages, costs and losses suffered by us, including any attorneys' fees we may incur if we attempt to enforce that Agreement.

d) **Keys and Security:** You are responsible for all keys to a Customer Account's premises and your staff must observe all security systems and precautions necessary or required at the Customer Account's premises. If the action or inaction of your staff causes a Customer Account to change locks or otherwise modify their security system, you must reimburse the Account for the costs of such changes. If services to a Customer Account are discontinued for any reason, or this Agreement is terminated for any reason, you must return all keys and security codes and cards before noon of the day following discontinuance or termination, whatever the case may be, or sooner if the Regional Customer Account requires, to either us or the Regional Customer Account as directed by us or the Account if it is not a Regional Customer Account. The Parties agree that our damages for your failure to comply with this Section 7.7(d) are not susceptible to reasonably precise quantification and therefore agree that you must pay us, as liquidated damages and not as a penalty, \$500 per day for each day of this non-compliance. We will provide to each Regional Customer Account you service your email address and we will issue a log book to each facility you service of a Regional Customer Account. If it is missing from the facility we may replace it.

e) **Books and Accounts; Audit:** You must establish and maintain the books, accounts, and records we require and keep and maintain accurate financial statements in the manner we designate. We can audit or cause to be audited your financial and customer books, accounts, records and financial statements and your sales and income tax returns, and the tax returns of your Principals and any Franchisee Affiliates. If any audit discloses an understatement of Gross Revenue for any period or periods, or the diversion of business hereunder to a third party, you must, within 10 days of receipt of the audit report, pay to us the amounts due on the previously underreported Gross Revenues, or diverted business, plus interest from the due date as set forth herein. In addition, if an understatement for any period equals 2% or more of the Gross Revenue for the period, or we conclude that there has been a diversion of business, regardless of amount, you must reimburse us for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation to persons retained or employed by us to make the audit.

f) **Records Inspections:** For our inspection, you must provide access to us to the federal and state tax returns and related schedules, forms and reports filed for you, your Principals and any Franchisee Affiliate. Upon our request, you, each of your Principals and any Franchisee Affiliate, must furnish to us their federal income tax returns. We can require you to furnish us with a balance sheet and statement of income for the Franchised Business, prepared in accordance with generally accepted accounting principles, at such times and covering such periods as we may specify. You must permit us to make copies of any and all items that we have inspected that are relevant to the operation of your Franchised Business. We retain the right to inspect your customer and financial records and the records of any of your Principals or a Franchisee Affiliate, to determine whether you are properly reporting all revenue regardless of source.

7.8 *Payment of Obligations.* You must pay for all items purchased from us when due. You must pay all obligations and liabilities to creditors on a timely basis. You must pay all taxes arising from the operation of your Franchised Business on a timely basis.

7.9 *Insurance.*

a) You must purchase and maintain General Commercial Liability Insurance, including public liability, personal injury, contractual liability and property damage insurance covering the operation and location of your Franchised Business, in a minimum amount of \$1,000,000 limit per occurrence with a general aggregate limit of \$2,000,000, and real and personal property insurance including fire, personal injury, death, vandalism and extended coverage on an all-risk full replacement cost basis with prime area and excess limits of not less than the full replacement value of the equipment, inventory and supplies of the Franchised Business. You must obtain an Umbrella policy in the minimum amount of \$3,000,000. You must obtain Employer's Liability\Worker's Compensation Insurance and such other insurance as may be required by statute or rule of the state or locality in which your Franchised Business is located and operated. You must purchase Commercial Automobile Liability Insurance for any vehicle operated in your Franchised Business, including hired and non-owned vehicles, which will include collision and comprehensive coverage as well as liability insurance coverage in the

minimum amount of \$1,000,000 per accident or the minimum required by state regulations, whichever is greater. You must obtain janitorial bonding in an amount not less than \$25,000. All insurance policies must be issued by insurance companies with performance ratings of at least “A” Excellent as rated in the most recent edition of AM Best's Insurance Reports or a comparable publication.

b) **Submission of Proof of Insurance:** You must add us to the insurance contracts as an “Additional Insured Franchisor” at your cost and expense. If a Customer Account you service requests that you name them as an additional insured, you must comply with such request and pay for the costs thereof. All coverage must include a Waiver of Subrogation in favor of us and coverage must be written on a primary and non-contributory basis. You must provide us with, as proof of insurance, a certificate of insurance naming us as an additional insured franchisor. The policy of insurance must be primary and non-contributory and must include a 30 day written notice of cancellation. You must provide us with copies of all notices of cancellation, changes, amendments to coverage and other modifications, immediately as soon as you receive such notices.

c) **Additional Coverage:** Upon 30 days prior notice to you, we may require you to increase the minimum amounts of any policy, and require different or additional kinds of insurance at any time. You must obtain such additional coverage as may be required of you by any Customer Account. If you fail to obtain additional coverage as required by a Customer Account, in addition to our other rights, we can require you to stop servicing that Customer Account.

d) **Failure to Obtain Insurance:** If you at any time fail or refuse to obtain or maintain any required insurance, we may (but are not obligated to), at our option and in addition to any other rights we have under this Agreement, obtain the insurance coverage for you. You must fully cooperate with us in our efforts to obtain these insurance policies. You must promptly sign all documents required to obtain insurance and allow any inspections of the premises that may be required to obtain insurance. You must reimburse us within 30 days of the date of our invoice for any premiums and administrative expenses we incur in procuring the insurance. Such reimbursement may be deducted directly from your monthly Franchise Report payments.

#### 7.10 *Limitations on Use of Marks.*

a) **Our Rights:** As part of our business assets, we have valuable rights in our Marks. All rights in the Marks are owned by us. Your right to use the Marks is derived solely from this Agreement, and all usage and any goodwill established by your usage inures to our exclusive benefit. We may change all or any of the Marks at any time.

b) **Your Rights:** The rights that we grant to you are limited to your right to use the Marks to identify and advertise your Franchised Business in connection with your operation of your Franchised Business. Notwithstanding any other provision contained in this Agreement, you may not, without our prior written consent, manufacture, produce, distribute, sell, or otherwise use any unauthorized services, products, goods, or items bearing the Marks. You cannot use “Pro One Janitorial”<sup>®</sup> or our other Marks as part of your corporate or other legal name or with modifying words, designs or symbols except as a fictitious business name for the operation of a franchised Pro One Janitorial<sup>®</sup> business. You cannot use any language or display the Marks in such a way as to create the impression that the Marks belong to you. You waive all claims to any rights in the Marks in advertisements or display of the Marks beyond the limited permission to use the Marks we grant to you pursuant to this Agreement. You agree, within 45 days after we sign this Agreement, to furnish us with certified copies of your Articles of Incorporation or Organization, Certificate of Limited Partnership, or Statement of Partnership, as the case may be, as well as any Fictitious Business Name Statement filed with any government entity. You must also furnish us with certified copies of any subsequent amendment to these documents within 14 days of an amendment. You must not attempt to register with any state or other government agency the trademark or service mark "Pro One Janitorial" or other Marks that we develop for your use in the Franchised Business. You must not directly or indirectly contest our rights to the Marks, trade secrets or business techniques that are part of our business.

c) **Displaying The Marks:** You cannot use any other janitorial, maintenance or cleaning service designation as part of your corporate or other legal name. If you have another business, whether janitorial, maintenance or otherwise, it may not be operated under our Marks or any mark substantially similar to our Marks. You must clearly identify the Franchised Business as being operated as an independent franchised business on the basis of a license that we have granted to you. Identification must be clearly indicated on your business checks, stationary, purchase orders, business cards, receipts, telephone and directory listings, advertising (including with respect to all Social Media Sites), displays identifying the Franchised Business, promotional materials, and all other documents that bear the Marks. If you are operating your Franchised Business from a non-residential location, you must display signs that are clearly visible to the general public indicating that the business is independently owned and operated as a franchised business. We may remove any unapproved signs from the Franchised Business premises or remove any unapproved advertising without incurring any costs for those items and without being deemed guilty of trespass or any other tort. Acceptable identification shall be the statement, “A Franchisee of Pro One Janitorial”. We must approve all other wording denoting identification of your Franchised Business in writing in advance of your use of the wording. You must pay all costs associated with this identification. You may not modify the Marks through the addition, deletion or alteration of any words, designs or symbols. Your use of any of the Marks must display in every instance the appropriate trademark notice. The notice must be as we specify.

d) **Changes in Marks:** You must also make changes in your use of the Marks as we direct as these become necessary in our discretion. You must implement all changes to the Marks in the operation of your Franchised Business at your sole cost and expense within 45 days after we give you notice. You may not make any changes to the Marks unless we direct you to do so.

e) **Discovery of Infringements:** If you discover any third party use of the Marks or a claim of infringement resulting from your use of the Marks or challenge to your use of the Marks, you must immediately notify us of the facts concerning the third party use, claim or challenge. We have sole discretion as to what action to take, if any, regarding these matters. If we elect to take legal or administrative action in any matter, you must join as a party to the action, or allow the action to be brought solely in your name, but only as and if we direct you to do so. You must actively assist and participate in any litigation including testifying when we request you to do so and supplying materials and other information that may be requested to assist in the action. In any such event, we will bear the legal fees and court costs of prosecuting or defending any action provided that you notified us immediately after you learned of the infringement or challenge.

f) **No Liability For Losses:** We are not liable to you for any losses, including any damages suffered by you, as a result of any limitation or diminishment in the rights to use the Marks.

7.11 *Franchisee Marketings.* You acknowledge that you are responsible for soliciting and obtaining customers for the performance of commercial cleaning or maintenance services and your success or failure is directly attributable to your efforts in this regard. You may solicit to perform and perform cleaning or maintenance services only in industrial, institutional, retail, and other commercial facilities. You may not knowingly solicit, interfere, or otherwise contact a current or prospective Regional Customer Account or a customer of another Pro One Janitorial franchisee. If you solicit a prospective customer and discover that the customer will be receiving, or has received, a bid proposal from us or another Pro One Janitorial franchisee, you must withdraw your bid proposal and refrain from any further solicitation of the customer until a decision has been made on the original bid proposal. We will provide you with a form of contract for performing maintenance or cleaning services for accounts you obtain. Any changes to this form must be approved by us. In all cases, the contract must provide that it may be assigned to us if you do not wish to continue servicing the account. You must submit a copy of the contract to us immediately upon signing by the account. Any amendments must be approved by us prior to signing and must be provided to us immediately after execution. We have the exclusive right to handle all billing functions for these accounts, unless otherwise agreed in writing by us and you must pay us Royalty Fees and the fees pursuant to Sections 4.9 and 4.11 on your Gross Revenues in connection with these accounts. Prices to be charged to a customer for goods and services are strictly up to you for any of these accounts. However, we will establish prices to be paid by Regional Customer Accounts.

7.12 *Our Contact With Accounts.* To ensure that the standards set forth in our Operations Manual are followed and to ascertain compliance with the terms of this Agreement we may inspect the facilities you perform services at and contact the Customer Accounts you service concerning your services. You must make every effort to satisfy any Customer Account complaints or problems as we request.

7.13 *Customer Lists.* You must provide us, immediately upon our request, in the form we specify, a list of all of the Customer Accounts you service and copies of all documentation pertaining to each Customer Account.



7.14 *Proprietary Information.*

a) **Non-Disclosure:** In the course of your association with us, you will obtain from us knowledge of valuable information, trade secrets, marketing methods, business affairs, and methods of doing business. You agree that any and all of this information and any other information that we designate as confidential is deemed confidential for purposes of this Agreement. We claim proprietary rights to all information concerning the Franchise System, including the policies, systems and procedures pertaining to sales and marketing techniques, methods of operation, training processes, billing procedures and customer service processes. We claim proprietary trade secret rights in information such as franchise lists, employee lists, Customer Account lists, documents and files pertaining to the foregoing, security and/or access codes, forms, records, training materials, brochures and marketing materials, and all other written materials and proprietary information. With respect to all such confidential, proprietary information, you agree as follows:

i) This information is strictly confidential and you must not, directly or indirectly, both during the term of this Agreement and after for any reason, engage in or abet the misappropriation, or the disclosure, divulgence, or distribution, of the information as described in this Section 7.14 without our specific written consent.

ii) You must maintain the confidentiality of this information, including taking necessary precautions to ensure that your personnel retain the confidentiality of all such information. You must also promptly tell us if you learn of any unauthorized use of any of this information.

iii) You may not duplicate, copy, record or otherwise reproduce this information without our prior written approval.

iv) You may not contest our interest in or rights to this information.

v) We may require all of your attendees at training to sign an agreement that prohibits the unauthorized disclosure of confidential information.

vi) If this Agreement expires without renewal or is terminated or assigned, you must immediately return all information to us, including the Operations Manual and all forms, records, Customer Account lists and files, and franchise lists, training materials, brochures and marketing materials, and other written materials in your possession or control.

vii) At our request, whether during or after the term of this Agreement, you must provide us with copies of all documents you maintain with respect to the Customer Accounts you service or serviced during the term of this Agreement.

viii) If you develop any new process or improvement in the operation of your Franchised Business, you must notify us of the innovation and provide us with all related information, without compensation to you. All such developments become our property and we may use or disclose them to other franchisees if we deem it appropriate.

b) **Copyright Protection:** We own valuable copyright rights and other rights in all written materials we provide to you during the term of this Agreement ("Materials") used in connection with the operations, sales, marketing and promotion of our Franchise System. We desire to protect the integrity of our copyrights and to preserve our rights in these Materials. To protect our copyrights and other rights in these Materials, we may assert from time to time various restrictions on your use of the Materials. These are necessary to insure that the rights to our copyrights are preserved. With respect to all such Materials, you agree as follows:

i) To provide us with all advertising and promotional material relating to your Franchised Business and/or services for our approval as provided in this Agreement. Approval may be granted or withheld in our sole discretion.

ii) Not to make any unlicensed use of the Materials and at no time do anything that in any way impairs our rights in the copyright works. You understand that you do not acquire, and cannot claim, any title to the copyright works by virtue of any license granted in this Agreement or through your use of the Materials. We retain sole ownership of all Materials.

iii) Your use of any Materials must display in every instance the appropriate copyright notice. The following notice must appear at least once on each item of artwork or design used with the Marks on promotional or packaged materials: "Copyright, Pro One Janitorial (Year of First Publication)". If you fail to comply with these provisions for copyright protection we can immediately terminate this Agreement as set forth in Section 10.

*7.15 Ownership of Information.* All information we obtain from you or about your Franchised Business, or otherwise related to the Franchised Business, including all information related to Customer Accounts (collectively, the "Information") and all revenues we derive from this Information, is our property. You may use information that you acquire from third parties in operating the Franchised Business, at any time during the term of this Agreement to the extent lawful and at your sole risk and responsibility, but only in connection with operating the Franchised Business for the purposes under this Agreement. The Information (except for information that you provide to us with respect to you and any Franchisee Affiliate) is proprietary information of ours that we may use for any reason we deem necessary or appropriate. You must comply with all applicable laws pertaining to the privacy and security of personal information, including, without limitation, local, regional and national requirements applicable to the Franchised Business ("Privacy Laws"). You must also comply with our standards and any policies pertaining to the privacy and security of personal information, customer relationships and Privacy Laws.

*7.16 Modifications to the Franchise System.* The Franchise System is subject to modification by us from time to time in our sole discretion. We may modify any component of the Franchise System. Upon your receipt of our notice of modification to the Franchise System, you must promptly and at your own expense abide by all such modifications and incorporate them into your Franchised Business.

7.17 *Business Licenses; FEIN.* You must obtain a business license in your name to operate your Franchised Business, if required by applicable law. You must obtain a Federal Employer Identification Number for the Franchised Business, and provide it to us.

7.18 *Photos, Videos and Electronic Records.* We have the right to take photographs, videos and electronic records of the Franchised Business, including the Location, and associated vehicles and signage and to use such photographs, videos and electronic records in any advertising or promotional material, in any form or medium now existing or later developed. We may use the foregoing without providing notice to you or receiving your consent, and we are not obligated to make attribution to you or to compensate you for use of the foregoing. Upon our request, you must cooperate with us in taking and arranging for these photographs, videos and electronic records and for obtaining the necessary consents of or assignments from individuals depicted in or involved in such photographs, videos and electronic records. You irrevocably assign to us all of your right, title, and interest, if any, in and to all such photographs, videos and electronic records, together with all related intellectual property rights.

## **8. INDEMNITY**

You are solely responsible for the services and results of services performed by you and your staff and for any liability arising directly or indirectly out of your Franchised Business. You must indemnify, defend, and hold us, our affiliates, directors, officers and employees harmless from any and all losses, damages, fines, suits, proceedings, claims, demands, judgments, or other liabilities or costs or expenses of any kind, which arise directly or indirectly as a result of your breach of this Agreement, the operation of your Franchised Business or are incurred in defending any claim connected with the operation of your Franchised Business, or arise out of any act or omission by you, including with respect to any Customer Account, or as a result of any activities occurring at, by or through your Franchised Business. These indemnification obligations survive the expiration, termination or assignment of this Agreement. You must immediately notify us of any claim by or against you directly or indirectly related to your operation of your Franchised Business and, on request, must furnish us with copies of any filings in any proceeding involving the claim. You must cooperate with us in the defense of any claim and not settle, compromise or otherwise dispose of any claim or proceeding to which we are a party or that may affect our interests without our prior written consent.

8.1 *Payment of Expenses.* You must pay upon demand all reasonable expenses that we incur, including attorney's fees and court costs, in enforcing any term or condition of this Agreement. As used in this Section 8, the word "expenses" includes all fines, taxes, suits, actions, proceedings, claims, damages, charges, costs, expenses, liabilities, losses, judgments, actual, compensatory, consequential, exemplary or punitive damages, lost profits, cost of investigation and proof of facts, reasonable attorneys', accountants' and expert witness fees (whether or not a suit has been filed), other litigation expenses, travel and living expenses, settlement amounts, compensation for damages to reputation or goodwill.

8.2 *Disclaimer.* We are not be liable to you or any other person with respect to the operation of your Franchised Business, including, but not limited to, use or performance, as

applicable, of services, products, equipment or vehicles used or employed in connection with the Marks. We make no warranties, expressed or implied, with respect to the use of the Marks, the use of your equipment or inventory, the use or characteristics of any products, goods, or items sold to you, or the performance, results, or effects of any of them. Notwithstanding any other provision in this Agreement, we disclaim any liability for incidental or consequential damages or losses of any sort arising from the execution of this Agreement, the furnishing of any services to you, the distribution or sale of items to you, or otherwise, or as a consequence of any goods or services that you provide to Customer Accounts, whether or not arising from defects, malfunctions or failure to conform to specifications.

## **9. CHANGE OF OWNERSHIP**

9.1 *General Prohibition on Franchisee Assignment.* Neither Franchisee, nor any Principal, without our prior written consent, by operation of law or otherwise, may sell, assign, transfer, convey, give away, lease, or encumber to any person, firm, corporation, or company, any interest in this Agreement, the Franchise, the Franchised Business, in Franchisee or in any entity that owns any interest in Franchisee. Any purported assignment not having the necessary consent is null and void and constitutes a default hereunder.

9.2 *Conditions to Franchisee Assignment.* We will not unreasonably withhold our consent to any assignment provided the conditions and requirements set forth in this Section 9 are first satisfied.

- a) You must pay us all monies you owe us;
- b) The purchaser must be financially qualified to purchase and operate the Franchised Business;
- c) The purchaser and its owners must be of good moral character and reputation, must have good credit ratings, competent business qualifications reasonably acceptable to us and must meet our then-current standards, including passing background checks;
- d) The purchaser and its owners must provide us with all information we request so that we can determine if the purchaser and its owners meet our standards, including those set forth in Section 9.2(c) above;
- e) The purchaser's personnel that we require must successfully complete our Initial Training program and you must pay us a transfer fee of \$2,500;
- f) You must not be in default of this Agreement or must otherwise cure all defaults;
- g) The purchaser must sign whatever franchise agreement and related agreements then being used by us for new franchisees;

h) All the owners of the purchaser must enter into a written agreement in a form satisfactory to us, jointly and severally guaranteeing the full payment and performance of the purchaser's obligations to us and agreeing to be personally bound by all covenants and restrictions imposed upon the purchaser under the franchise agreement at the time that you sell the Franchised Business;

i) You must provide us with all legal documentation we may deem necessary to properly and legally document the transfer. The legal documentation must state that if the purchaser fails to complete Initial Training to our satisfaction within 45 days of the assignment, then we can terminate the right of the purchaser to perform services for all Customer Accounts until such time as the purchaser satisfactorily completes Initial Training; and

j) You must execute an agreement in a form satisfactory to us in which you agree to: (i) release any claims you have against us; (ii) subordinate any claims you may have against the purchaser to any amounts owed by the purchaser to us; (iii) indemnify us against all claims brought against you by the purchaser, except for claims arising out of the franchise relationship between us and the purchaser, for a period of 3 years following the transfer; and (iv) comply with the covenants of confidentiality and non-competition set forth in Section 11 of this Agreement.

Selling your Franchise does not release you from performance of restrictive covenants after the Franchised Business is sold (Section 11.6) and non-disclosure of proprietary information (Section 11.1), other obligations of the Franchisee upon termination (Section 11) in this Agreement, and such other obligations which would by their nature survive the termination of this Agreement.

9.3 *Right of First Refusal.* You agree to provide us with a right of first refusal if you desire to enter into a transaction contemplated by Section 9.1 or any similar transaction. The right of first refusal is effective at any time that you receive an offer to enter into such a transaction. At that time, you must give us written notice of the offer that provides specific details regarding the offer. We will notify you in writing within 30 days of our intent to exercise our right of first refusal. If you do not receive such notification from us within 30 days of the time you communicate the offer to us, you or your Principal, if it is an offer to a Principal, may then complete the transaction, subject to the provisions relating to assignment above. If the terms of any offer should change in any way, this will be regarded as a new offer, which must then be communicated to us so that we will have the opportunity to match the offer. If the transaction does not occur within 60 days of the termination of the 30 day period during which we may give you written notice to exercise our right of first refusal, an additional notice must be given to us and an additional option period must expire before any transfer. If we elect to exercise our right of first refusal, we can substitute equivalent cash for any non-cash consideration included in the bona fide offer and the parties will use their best efforts to complete the transaction within 60 days from the date of our notice of election to exercise our right of first refusal.

9.4 *Assignment To Heirs.* If a Principal should die during the term of this Agreement or become incapacitated, the Principal's ownership interest in you may be assigned to the

Principal's heirs or other assignee(s) without first offering it to us so long as the assignment is completed and, if the Principal was operating the Franchised Business, the heirs or assignees successfully complete the Initial Training program, meet the other requirements for assignment and pay us a reduced transfer fee of \$1,000, all within 60 days after the Principal's death or incapacity.

9.5 *Legend.* All certificated equity of Franchisee must bear a legend which informs a potential assignee of the restrictions on assignment under this Agreement.

9.6 *Our Right To Assign.* We may sell or assign, in whole or in part, our interests and/or obligations to you under this Agreement and any other agreement or instrument that we may enter into with you, including any Regional Customer Accounts.

9.7 *No Assignment of Accounts; No Partial Assignment.* All Regional Customer Accounts are our property. You may not assign the right to perform services at any Regional Customer Account. You may not assign or transfer a portion of your rights or obligations under this Agreement or a portion of the Franchised Business, or its assets, independently of the Franchise or if such assignment or transfer would result in the division of the Franchised Business.

9.8 *Disclosure.* You consent to our release to any proposed transferee of any information concerning the Franchised Business or its customers.

## **10. EVENTS OF DEFAULT AND GROUNDS FOR TERMINATION**

10.1 *Events of Default.* You must abide by the terms and conditions of this Agreement and operate your Franchised Business in complete conformance with the provisions hereof. Certain violations by you as set forth below constitute events of default justifying immediate termination of your Franchise as set forth below in Section 10.3. Other violations will not justify termination unless you fail to remedy the violation within the timeframe for cure specified in this Section 10.1.

If the event of default is failure to pay any amount owed to us (including, but not limited to, Royalty Fees, Advertising Contributions, Administrative Fees, Promissory Note installments, and Regional Customer Account Fees), you have 15 days from the date of issuance of written notice to you, to remit all sums owed to us. If you fail to remit all sums owed to us in full within 15 days from the date we issue written notice to you, this Agreement and all of your rights under it automatically terminate.

If you fail to cure the following events of default within 30 days from the date we issue written notice of default to you, this Agreement and all of your rights under it automatically terminate:

a) If you fail to maintain a cell phone, active email address, a computer or other equipment or supplies that meet our requirements, or a business checking account;

- b) If you fail to submit reports or financial data we require or make any false statements in connection therewith;
- c) If you fail to use authorized equipment, inventory, supplies and/or promotional materials;
- d) If you fail to maintain proper insurance coverage, as required pursuant to this Agreement;
- e) If you violate any of our advertising policies, fail to submit advertising copy prior to its use, fail to obtain our approval prior to establishing a Social Media Site, or fail to comply with any of our policies relating to the establishment or use of a Social Media Site;
- f) If you fail to fulfill or comply with any federal, state or local law or regulation applicable to your Franchised Business;
- g) If you sell products or services not approved by us;
- h) If your trainees fail to complete our Initial Training program to our satisfaction;
- i) If you or any of the Principals of the Franchised Business act or behave in a manner that subjects our Marks to disrepute or otherwise adversely affects our operations or reputation or the operation or reputation of our Franchise System, or other franchisees;
- j) If you consistently fail to make payment to any supplier in a timely manner;
- k) If you refuse to execute an Account Acceptance/Denial Form upon your acceptance or denial of a Regional Customer Account; or
- l) If you violate any other provision of this Agreement or any specification, standard, or operating procedure we require you to follow, including, but not limited to, those in the Operations Manual.

10.2 *Opportunity to Cure.* We can terminate this Agreement based on the events of default described in Section 10.1 if you do not cure such events of default within the prescribed timeframe set forth in the written notice of default. A breach of this Agreement or an event of default will be regarded as "cured" when we agree in writing that it has been corrected.

10.3 *Grounds for Immediate Termination.* In addition to our other termination rights in this Agreement, we can immediately terminate this Agreement, effective upon notice of termination to you, in any of the following events:

- a) If you or any of the Principals of the Franchised Business are charged with a work-related crime or any other crime that is reasonably likely, in our sole opinion, to impair the

goodwill associated with our Marks and the Franchise System or you or any of the Principals of the Franchised Business are convicted of a felony;

b) If, after commencement of business, you fail to operate your Franchised Business in your Designated Area continuously during the term of the Franchise in accordance with the days and hours of operation we require;

c) If you declare bankruptcy, voluntary or involuntary, or become insolvent, or have a receiver appointed for any portion of your property, or make an assignment for the benefit of creditors, or make an admission of an inability to pay your obligations as they become due or fail to comply with Section 7.9 above;

d) If you service any Customer Account in a capacity other than as a bona fide Pro One Janitorial® franchisee;

e) If you violate any of the restrictive covenants contained in this Agreement including covenant(s) not to compete and covenant(s) of non-disclosure, including a wrongful disclosure of the contents of the confidential Operations Manual or any other trade secret(s) or confidential information provided by us to you;

f) If you abandon the Franchised Business or otherwise forfeit the right to do or transact business in the Designated Area where the Franchised Business is located;

g) If you make or attempt to make an unauthorized assignment or transfer of the Franchise, the Franchised Business, this Agreement, any Regional Customer Account or any right or obligation hereunder;

h) If you bring anyone under the age of 18 into any facility you service;

i) If you violate any labor, wage, or immigration law with regard to your hiring and treatment of any personnel involved in your Franchised Business or otherwise;

j) If you have more than one franchise and any one of the corresponding franchise agreements is terminated by us for any reason;

k) If you or any of the Principals of the Franchised Business make any material misrepresentation on the application to become a franchisee;

l) If the amounts you have reported to us as Gross Revenue are deficient;

m) If you conduct your Franchise in such a manner as to pose a threat or danger to the health or safety of the public, yourself, your employees, or the customers you service;

n) If you discontinue servicing any Customer Account without providing us with at least 30 days written notice of your intent to do so;



o) If you misuse or make any unauthorized use of our Marks or proprietary information; or

p) If you repeatedly fail to comply with any requirement of this Agreement, whether or not your noncompliance is corrected after notice.

10.4 *Continuation of Obligations.* Termination of this Agreement does not relieve you of any of your obligations under this Agreement. You may not withhold any payments that are required to be paid to us pursuant to this Agreement. Termination of this Agreement is without prejudice to any right, remedy or cause of action we may have against you.

10.5 *Your Right to Terminate Your Franchise.* You may terminate this Agreement upon 120 days advance written notice to us and without our written consent. However, you still must comply with all of your obligations under this Agreement which by their nature survive the termination of this Agreement, including, but not limited to, those contained in Section 11 of this Agreement.

10.6 *Superseding Law.* If the terms of this Agreement provide for periods of notice less than those required by applicable state law, or are in conflict with applicable state law with respect to termination or non-renewal, then the notice requirements and provisions of the applicable state law supersede any such conflicting provisions contained in this Agreement. We can modify any invalid or unenforceable provision to the extent required to be valid and enforceable under applicable state law and you agree to be bound by the same.

## **11. POST-TERM OBLIGATIONS OF FRANCHISEE**

In the event of the termination, expiration without renewal, or assignment of this Agreement, you cease to be a Pro One Janitorial<sup>®</sup> franchisee and you must immediately, upon the effective date of the termination, expiration or assignment, comply with all provisions of this Agreement that by their nature survive, including, but not limited to, the following provisions:

11.1 *Non-Disclosure & Return of Proprietary & Confidential Information.* You must discontinue using any and all of our proprietary information including, but not limited to, trade secrets, operations, methods, and marketing techniques. You must return to us all manuals, advertising materials and printed materials pertaining to your Franchised Business or the Franchise System, including the confidential Operations Manual, stationery, letterhead forms, and any other materials containing any of our Marks or copyrights. If requested by us, you must take all actions as may be necessary to assign and transfer to us access to all registrations and/or listings for any Pro One Social Media Site, including, but not limited to, any domain name associated therewith and contents thereon. All proprietary information we provide to you in the course of your association with us is considered strictly confidential and you will not, directly or indirectly, both during the term of this Agreement and after for any reason, make available to any person, firm, corporation or association such confidential information without our specific written consent.

11.2 *Transfer of Accounts; Surrender of Customer Information & Security Devices.* You must immediately provide to us all Customer Account lists, all security devices for Regional

Customer Accounts you have serviced through your Franchised Business and all information in your possession pertaining to these Accounts, whether documented in hard copy, written notes, computer disks or other format, and all copies thereof. You will not be permitted further use of any such information, in any fashion, and all this information remains our exclusive property. You must assign to us all of your rights under any accounts you service if you decide to no longer service these accounts and take all actions we require for the orderly transfer of such accounts to us.

11.3 *Discontinue Use of the Marks.* You must immediately and permanently discontinue the use of the Marks and any imitations of these items. This includes the immediate cessation of use of all advertising materials, signs and other materials bearing the Marks or materials that otherwise indicate that Franchisee is or ever was an authorized Pro One Janitorial® franchisee. All telephone numbers used by you must, at our discretion, be assigned to us if we elect to take the telephone numbers.

11.4 *Termination of Association.* You must stop representing to the public and trade contacts that you are a member of the Pro One Janitorial® Franchise System. You may not promote or advertise the fact that you were formerly a Pro One Janitorial® franchisee or member of the Pro One Janitorial® Franchise System.

11.5 *Final Payment.* You must pay us in full any amounts you owe us within 15 days after we provide you with an invoice specifying the amounts. We may offset any amounts you owe us against any amounts we owe you.

11.6 *Covenant of Non-Solicitation.* In consideration for the services, expertise and confidential information provided to you by us and for the protection of the Marks and Franchise System, you agree that for 18 months after your Franchise is terminated, expires without renewal or is assigned, you may not, directly or indirectly, solicit any Customer Account being serviced by you, us or our franchisees during the 12 month period preceding the date that you left the Pro One Janitorial® Franchise System to provide any type of maintenance, cleaning or related services or to decrease the amount of business they do with us or other franchisees or to terminate their relationship with us or with another franchisee of ours. You agree to pay all costs and expenses, including reasonable attorney's fees, incurred by us in connection with the enforcement of the covenants of this Section 11.6. You agree that the provisions set forth in this Section 11.6 may be modified by a court of law to the extent necessary to make said provisions valid and enforceable against you. If you violate this Section 11.6, the period of time you must abide by this obligation will be extended for a period of 18 months after you are no longer in default of this obligation.

11.7 *Injunctive Relief.* You acknowledge that damage caused to us, our Franchise System and our franchisees for failure to comply with the provisions of this Section 11 and 13.1 is irreparable. You agree that we are entitled to injunctive relief in addition to any other relief that may be available to us.

## **12. RELATIONSHIP OF THE PARTIES**

The Parties to this Agreement are strictly franchisor and franchisee. You are and at all times remain an independent contractor in business for yourself. You are not a partner, agent, servant, fiduciary, representative, employee or joint venture partner with us. You do not have, nor may you hold yourself out as having, any right, power or authority to create any contract or obligation, either expressed or implied, on our behalf, in our name, or which is binding upon us. You do not have any right to, interest in, or authority over any of our property or business. Any act or omission by either Party does not obligate the other. You must always hold yourself out as an independent contractor in your dealings and communications with a Customer Account and the public.

You are free to conduct your Franchised Business as you deem best provided that you abide by all terms of this Agreement, our mandatory standards, procedures and directives, including those in the Operations Manual, and all federal, state and local laws. You are responsible for all property and income taxes imposed by government agencies. You are responsible for the withholding and payment of all social security and other taxes required to be withheld for your employees. You are responsible for the payment and/or withholding of taxes and premiums for unemployment and worker's compensation insurance as required by law for yourself and your employees. You must provide us with proof of payment of all taxes and compliance with all laws upon our request. You are responsible for the functioning of your Franchised Business and the supervision and management of your staff and all employment decisions including those pertaining to hiring, firing, training, wages, hours, sequence of work, record keeping, and discipline. You must provide each of your employees with a notice indicating that they are your employees and not our employees.

You acknowledge and agree that you are not an employee of ours. As an independent business owner, you may not participate in any benefits we provide to our employees and you are not covered by our workers' compensation insurance or unemployment compensation. If any governmental agency or court determines that you are an employee of ours under any law, we do not intend to provide you retroactively or at any point in time after such determination, any benefits we may provide to those whom we classify as employees, unless required by law.

## **13. IN-TERM COVENANT NOT TO COMPETE; SCOPE; ENFORCEMENT**

13.1 *In-Term Non-Competition Agreement.* You acknowledge that as a participant in our Franchise System, you and your personnel will receive valuable specialized training, trade secrets and other confidential information, including, but not limited to, information regarding the operational, sales, promotional and marketing methods and techniques of the Franchise System over and above the ordinary skills and experience possessed by Franchisee, its Principals, investors and personnel prior to execution of this Agreement. In consideration for such training, trade secrets and other confidential information, you agree that during the term of this Agreement, except as otherwise approved in writing by us, you may not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other party:

a) Entice away, solicit, divert or attempt to divert to another party any Customer Account, or any Pro One Janitorial® franchisee, by direct or indirect inducement or otherwise, interfere in any way with Franchisor's right to bill and collect from all Customer Accounts, by collecting from these Accounts, instructing the Accounts to pay you, a third party or not to pay us, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the Franchise System.

As long as you comply with the restrictions in this Agreement, you are free to operate a commercial cleaning business or another business under a name that is not identical or similar to any of our Marks.

13.2 *Competitive Activities by Others.* All non-compete covenants in this Agreement apply also to any Principal and any member of their family, household, estate, personal representatives and/or heirs. Any actions this Agreement prohibits by you are also prohibited for those persons mentioned in the previous sentence. In this regard, you must obtain and maintain written documentation from all such individuals signifying each one's agreement to abide by said provisions, said documentation to specifically identify us as a third party beneficiary of such agreement; and you must provide a complete copy of such written agreements to us immediately upon our request.

13.3 *Enforcement of Covenants.* Failure on your part to comply with the terms of this Agreement could cause irreparable damage to our Franchise System. It is our intent to have the provisions of this Agreement enforced to the fullest extent permissible under the law of each jurisdiction where enforcement is sought. Each of the covenants are independent of any other covenant or provision of this Agreement. If all or any portion of a non-competition or non-solicitation covenant is held unreasonable or unenforceable by a court having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, does not constitute a defense to the enforcement by us of the covenants in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' fees incurred by us in connection with the enforcement of these covenants. You acknowledge that a violation of the non-competition, non-solicitation, or confidentiality covenant(s) would result in irreparable injury to us for which no adequate remedy at law may be available, and you consent to the issuance of an injunction to us prohibiting any conduct by you in violation of such covenant(s).

#### **14. WAIVER**

A waiver by us of any violation of this Agreement does not constitute a waiver of any subsequent violation; and no delay or omission on our part to exercise any right arising from any violation of this Agreement impairs our rights with respect to any further violations.

## **15. INJUNCTIVE RELIEF**

Notwithstanding Section 16 below, each of us has the right to seek injunctive relief to: (i) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill associated with the Party's business including, but not limited to, the enforcement of post-term obligations under this Agreement such as the enforcement of the non-compete and non-solicitation and confidentiality provisions of this Agreement; and (ii) to terminate this Agreement for the causes enumerated in Section 10. The Parties may seek the entry of temporary restraining orders, and temporary and permanent injunctions enforcing the aforementioned provisions. If we secure any such injunction, or any other relief by arbitration or otherwise against you, or are successful in defending a claim brought against us by you in an arbitration or otherwise, you must pay us an amount equal to the aggregate of our expenses of obtaining such relief and defending such claim.

## **16. ARBITRATION**

Except for those matters set forth in Section 15 above, all disputes and claims relating to any provision hereof, to any specification, standard or operating procedure or other obligation of Franchisor or to the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor is illegal, unenforceable or voidable under any law, ordinance or ruling) must be settled by arbitration in Green Bay, Wisconsin in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

a) Any arbitrator appointed to arbitrate a dispute under this Agreement must have at least 10 years' experience in franchise matters and has the right to award or include in any award the specific performance of this Agreement. The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator will have no authority to add, delete or modify in any manner, the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator will be limited to the dispute or controversy in the written demand for arbitration and response to that demand. The arbitrator must file a reasoned brief with his or her award.

b) Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award will be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section 16. Unless this Agreement is terminated in accordance with the provisions of Section 10, during the pendency of the arbitration proceeding Franchisee and Franchisor will fully perform their obligations under this Agreement.

c) If, after one party institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim,

counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

d) If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of this Section 16, the arbitrability of such claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim, the decision as to whether the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.

e) All arbitration proceedings will be individual proceedings between you and us, and will not be conducted on a “class” basis, or include any of our franchisees as named parties unless you and us each agree.

## **17. NOTICE**

All notices permitted or required to be delivered by the provisions of this Agreement are deemed so delivered upon the earlier of: (i) receipt of the notice; (ii) three (3) days after being placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid; (iii) one (1) business day after being placed in the hands of an overnight courier, for next day delivery, and in the case of delivery under clauses (ii) or (iii), addressed to the party to be notified at its most current principal address of which the notifying party has been notified.

Either party may change the address given for service of notice at any time by providing the other party with written notice thereof.

## **18. SEVERABILITY**

It is the desire and intent of the Parties that the provisions of this Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication applies only to the operation of the provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. The Parties will substitute a valid and enforceable provision for any specification, standard, operating procedure, rule or other obligation of a party that is determined to be invalid or unenforceable and is not waived by the other party.

## **19. JURISDICTION, VENUE AND CONTROLLING LAW**

Franchisor and Franchisee (and Franchisee’s Principals) each agree that if litigation is permitted to be commenced under this Agreement, the action must be exclusively venued in the Brown County Circuit Court, 8th Judicial District, or the United States District Court, Eastern District of Wisconsin, Green Bay Division, and the Parties waive any objections they may have to

either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing is: (1) if the courts of Wisconsin would have no jurisdiction over any party in the litigation, and such party's involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the Parties to name Wisconsin as the exclusive venue for any actions, then the actions may be venued in any court having jurisdiction over all the Parties and a significant nexus to the Parties; and (2) to the extent either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, is the county in which the Franchised Business is operated).

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or the United States Arbitration Act (9 U.S.C. § 1 et seq.), this Agreement is governed by the laws of the State of Wisconsin. The Parties agree, however, that if Franchisee's Franchised Business is not located in Wisconsin, then they hereby waive the provisions of the Wisconsin Fair Dealership Law and the Wisconsin Franchise Investment Law and the regulations promulgated thereunder. If these laws would not otherwise apply to the franchise relationship created hereby, but there is a statute in the state in which the Franchised Business is located that specifically governs relationships between franchisees and franchisors, then that particular law would instead apply.

## **20. PERSONAL PERFORMANCE GUARANTEE**

The natural person who signs this Agreement on your behalf, represents, warrants, and covenants, in his or her official and individual capacities, that all parties with an ownership interest (which includes, but is not limited to, any person receiving or with a right to receive part or all of the dividends and/or profits of your Franchised Business) in your Franchised Business and their spouses at the time of the execution of this Agreement, have also executed the Personal Unlimited Guaranty. All such parties acknowledge and agree that the Personal Unlimited Guaranty represents a personal guarantee of performance, and that each such party individually, jointly and severally agrees that the Guarantee is a guarantee of all obligations, duties and responsibilities of you under this Agreement, including payment of all amounts owed us and that the guarantors will be bound individually by the provisions hereof as if each of the guarantors had executed this Agreement as Franchisee hereunder.

You hereby represent, warrant and covenant that any party who, subsequent to the execution of this Agreement, obtains an ownership interest in you, and that party's spouse, will execute a Personal Unlimited Guaranty contemporaneous with obtaining such ownership interest. You agree to provide us with written notice at least 30 days in advance of any event constituting the addition of any party with an ownership interest in you.

## **21. MISCELLANEOUS**

21.1 *Entire Agreement.* This Agreement contains the entire agreement between the Parties and supersedes any and all agreements, including any other franchise agreement,

previously made between the Parties with respect to the matters covered by this Agreement and in the Franchise Disclosure Document. There are no representations either oral or written, except those contained in this Agreement and any in the Franchise Disclosure Document that Franchisee acknowledges receiving fourteen (14) calendar days prior to the execution of this Agreement.

21.2 *Amendments.* Any amendments, alterations or modifications to this Agreement must be in writing and signed by both Parties; provided, however, we may unilaterally modify any manuals we provide to you, including the Operations Manual.

21.3 *Waiver of Punitive Damages; Limitation of Liability.* The Parties (and your Principals) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against one another or any affiliates, including any Franchisee Affiliates, and any owners, employees or agents of the other and agree that if there is a dispute between or among any of them, each is limited to the recovery of any actual damages sustained by it and any equitable relief to which it might be entitled.

21.4 *WAIVER OF JURY TRIAL.* TO THE EXTENT EITHER PARTY MAY PROCEED BY JUDICIAL PROCESS, EACH OF THE PARTIES WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, AND ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR OTHER CAUSES OF ACTION, IN CONNECTION WITH ANY LEGAL ACTION.

21.5 *Waiver of Collateral Estoppel.* The Parties agree they should each be able to settle, mediate, litigate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between them. The Parties each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party does not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between them. The Parties therefore waive the right to assert that principals of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

21.6 *Binding Effect.* This Agreement is binding upon the Parties hereto, their respective heirs, permitted assigns and successors in interest.

21.7 *Construction.* The Parties agree that if any provision of this Agreement is capable of two constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision has the meaning that renders it valid and enforceable. The language of all provisions of this Agreement will be construed simply according to their fair meaning and not strictly against Franchisor or Franchisee.

21.8 *Remedies Cumulative.* All remedies provided to us under this Agreement are cumulative. No exercise or enforcement by a party of any right or remedy hereunder precludes



the exercise or enforcement by the party of any other right or remedy hereunder or which the party is entitled by law to enforce.

21.9 *Restricted Persons.* Franchisee represents and warrants that to its actual and constructive knowledge neither it (including its Principals), nor any Franchisee Affiliates, nor any funding source for the Franchised Business, are owned or controlled by, or acting on behalf of: (i) the government of any country that is subject to an embargo imposed by the United States government; (ii) individuals ordinarily resident in, or entities located in or organized under the laws of, any country that is subject to an embargo imposed by the U.S. Government; (iii) anyone identified from time-to-time by any government or legal authority under applicable laws as someone with whom dealings and transactions by Franchisor are prohibited or restricted, including anyone designated on the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Other Blocked Persons (including terrorists and narcotics traffickers); and (iv) similar restricted party listings, including those maintained by other governments pursuant to applicable United Nations, regional or national trade or financial sanctions. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect. Further, during the term of this Agreement, neither you nor any of your Principals or Franchisee Affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any party that would violate any of clauses (i) – (iv) above.

21.10 *Variations.* Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition we deem to be of importance to the successful operation of such franchise owner's business. You may not complain on account of any variation from standard specifications and practices granted to any other franchise owner and you are not entitled to require us to grant to you a like or similar variation thereof.

21.11 *Waiver.* Neither you nor we will be considered to have waived any obligation of or restrictions on the other unless the waiver is in writing and signed by each of us. Our acceptance of any payment by you, or our failure, refusal or neglect to exercise any right under this Agreement or to insist on full compliance by you of your obligations under this Agreement, including any mandatory specification, standard or operating procedure, will not be considered a waiver by us of any provision of this Agreement. However, if either of us fails to notify the other in writing of any alleged misrepresentation, violation of law, deficiency, or breach of this Agreement, within one year from the date that the party has knowledge of, believes, determines or is of the opinion that there has been a misrepresentation, violation of law, deficiency or breach by the other party, then the alleged misrepresentation, violation of law, deficiency or breach will be considered waived; provided, however, that this provision will not apply to your underreporting of Gross Revenues, or underpayment of any fees you owe us.

**22. FRANCHISEE ACKNOWLEDGMENTS**

22.1 *Independent Investigation.* You acknowledge that your representatives have carefully read this Agreement and that they have conducted an independent investigation of our operations and the franchised business contemplated by this Agreement and recognize that it involves business risks that make the success of the venture largely dependent upon your business abilities and efforts. You acknowledge that you have been given the opportunity to clarify any provision of this Agreement that you may not have initially understood and that we have advised you to have this Agreement and all disclosure documentation reviewed by an independent legal or financial advisor of your choice.

22.2 *No Guarantee of Earnings.* You acknowledge that neither we nor any of our representatives and/or agents with whom you have met or with whom you have spoken or corresponded in either case prior to the Effective Date, have made any guarantees with respect to the expected success of your Franchised Business, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with your Franchised Business.

22.3 *No Personal Liability.* You agree that fulfillment of our obligations in this Agreement is our sole responsibility and that no agent, representative, employee, officer, director or other individual associated with us will be held responsible. **DO NOT SIGN THIS AGREEMENT IF THERE IS ANY QUESTION CONCERNING ITS CONTENTS OR ANY REPRESENTATIONS MADE.**

IN WITNESS WHEREOF, the Franchisee has executed this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

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

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

ACCEPTED by Franchisor on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

FRANCHISOR:

Pro One Janitorial, Inc.

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

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

**SCHEDULE OF PRINCIPALS**

ANY PERSON WHO IS A PARTNER, OFFICER, DIRECTOR, SHAREHOLDER OR MEMBER OF FRANCHISEE AND ANY OF THEIR SPOUSES:

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

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

Telephone: \_\_\_\_\_

Relationship: \_\_\_\_\_

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

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

Telephone: \_\_\_\_\_

Relationship: \_\_\_\_\_

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

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

Telephone: \_\_\_\_\_

Relationship: \_\_\_\_\_

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

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

Telephone: \_\_\_\_\_

Relationship: \_\_\_\_\_

# ATTACHMENT ONE

## PRO ONE JANITORIAL, INC. RENEWAL FORM

This Renewal Franchise Agreement (the "Agreement") is made and entered into by and between Pro One Janitorial, Inc., a Wisconsin corporation, (hereinafter "Franchisor" or "Pro One Janitorial" "we", "us", or "our") and \_\_\_\_\_, hereinafter, "Franchisee" or "you" or "your") for the purposes of allowing Franchisee to continue operating a business as a Franchisee of Pro One Janitorial. Franchisee is doing business as a:

\_\_\_\_ Corporation, incorporated under the laws of \_\_\_\_\_;  
\_\_\_\_ Partnership; or  
\_\_\_\_ Limited liability company, organized under the laws of \_\_\_\_\_.

Franchisee represents that the names, addresses, phone numbers, social security numbers, and ownership percentages are set forth immediately below for each and every owner of Franchisee, whether such be a partner, shareholder, member, or other principal owner (together with the individuals listed on the "Schedule of Principals", called the "Principals"):

<u>Principal</u>	<u>Address</u>	<u>Phone #</u>	<u>S.S.#</u>	<u>% Interest *</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

\*This indicates the percentage ownership of the outstanding stock of the corporation and/or capital and/or profits and/or membership interest of the entity. Franchisee shall immediately notify Franchisor of any changes in this information.

FEDERAL I.D. # OF FRANCHISEE : \_\_\_\_\_ DESIGNATED AREA: \_\_\_\_\_

EFFECTIVE DATE: \_\_\_\_\_

TERM OF FRANCHISE ("Renewal Term"): 5 years

RENEWAL FEE: \$ 1,500.00

FINANCING: Franchisee's outstanding promissory note balance(s) \$ \_\_\_\_\_ (with interest at the rate of 12% per annum).

Remaining Financing Period: \_\_\_\_\_ months

Amount of Monthly Installment: \$ \_\_\_\_\_

The next installment of principal and interest shall be paid on the 28<sup>th</sup> day of \_\_\_\_\_, 202\_\_. Franchisee hereby reaffirms Franchisee's obligation under the above promissory note.

Address for mailing notices to Franchisee: \_\_\_\_\_

As this is a renewal of a franchise, the provisions of Paragraph 3.3 hereof ("Opening Requirements") will not apply.

Franchisee is not required to complete initial training as provided in Paragraph 4.3 hereof ("Initial Training"). Franchisor reserves the right to require ("Specialized Training") as provided in Paragraph 4.4 hereof.

As this is a renewal of a franchise, the then-current Initial Franchise Fee of Paragraph 5.1 ("Initial Franchise Fee") will not apply.

In consideration of the grant by Franchisor to Franchisee of a renewal franchise, Franchisee, its members, directors, officers, owners, and Principals, hereby release and forever discharge Franchisor, its directors, officers, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims any of the foregoing may have against such parties, from the beginning of time to the date hereof, whether in law or in

equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the prior Franchise Agreement between Franchisor and Franchisee.

**NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE OUTLET IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.**

Franchisee acknowledges receipt from Franchisor of the Franchise Disclosure Document which describes the franchise to be operated pursuant to the terms of this Agreement. Franchisee acknowledges receipt of a completed copy of this Agreement at least seven (7) days prior to its execution.

Franchisee:

\_\_\_\_\_

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

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

EXHIBIT D

PROMISSORY NOTE

**PROMISSORY NOTE**

\$ \_\_\_\_\_

City of Green Bay  
State of Wisconsin

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_ (“Maker”) promises to pay to PRO ONE JANITORIAL, INC. (“Payee”) at its offices at 1101 Ashwaubenon Street, Green Bay, Wisconsin 54304, or at such other place or to such other party or parties as Payee 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 twelve percent (12%) per annum on the unpaid balance of said principal sum until paid.

The undersigned Maker further promises to pay that principal sum and interest in installments as follows: \_\_\_\_\_ Dollars (\$\_\_\_\_\_) on the 28th day of each month commencing \_\_\_\_\_ and \_\_\_\_\_ (\_\_\_\_\_) successive monthly installments of equal amount 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.

It is agreed that each installment, when paid, shall be credited first to any fees or costs incurred in collecting this Note, then to interest then due and the remainder to principal. Should the interest not be so paid, it shall, at the sole option of Payee, become a part of the principal and thereafter bear like interest as the principal.

This Note may be prepaid without penalty or premium.

The acceptance by Payee of any payment or partial payment shall not operate to extend the time of payment of any amount and shall not be considered a waiver of any of the rights of Payee.

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

1. The failure to pay when due any installment of the principal or interest of this Note.
2. Maker’s breach of any agreement between Maker and Payee.
3. The levy of any attachment, execution or any other process against all or any part of the assets of Maker.
4. The failure to pay, withhold, collect, or remit any tax or tax deficiency when assessed or due.
5. The suspension of the business of Maker; or the making of a general assignment for the benefit of creditors; or the commencement of proceedings for dissolution or liquidation; or the commencement of proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law or statute of the federal or state governments; or the adjudication as a 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 if Payee, in good faith, deems itself insecure.

Maker shall pay and be responsible for the reasonable costs and attorneys' fees incurred by Payee in connection with the enforcement of this Note, and such amount shall be secured hereby.

The liability of the undersigned hereunder is joint and several in each and every respect.

This Note is to be construed in accordance with the laws of the State of Wisconsin. Venue and jurisdiction is expressly declared to be in Brown County, Wisconsin.

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

MAKER:

OWNERS OF MAKER:

\_\_\_\_\_

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

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

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

S.S.# \_\_\_\_\_

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

S.S.# \_\_\_\_\_

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

S.S.# \_\_\_\_\_



EXHIBIT D1

PERSONAL UNLIMITED GUARANTY

## PERSONAL UNLIMITED GUARANTY

In consideration of, and as an inducement to Pro One Janitorial, Inc. (hereinafter "Franchisor") to enter into a Franchise Agreement (hereinafter the "Franchise Agreement"), dated \_\_\_\_\_, 20\_\_\_\_, with \_\_\_\_\_ (hereinafter "Franchisee"), and which the parties agree was made in reliance on this Guaranty, the undersigned jointly, severally and unconditionally guarantee to Franchisor, its successors and assigns, the complete and timely performance by Franchisee of all terms and conditions of the Franchise Agreement and other written obligations which the Franchisor may enter into with the Franchisee, including, but not limited to, prompt payment of Royalty Fees, Advertising Contributions, Administrative Fees, Promissory Note installments, interest, late fees, fees for equipment and supplies, and any and all other sums of any kind or nature which shall come due, whether said documents be executed by the Franchisee contemporaneously with this Guaranty or at any time subsequent hereto.

This Guaranty shall be non-revocable and binding upon the undersigned.

The undersigned also agrees to comply with all terms of the Franchise Agreement including, but not limited to, those related to confidentiality of information and all non-competition provisions and other restrictive covenants, and all post-termination covenants of the Franchise Agreement, and any other agreement between Franchisor and Franchisee, as if the undersigned had executed the same individually as Franchisee.

The undersigned waive notice of acceptance of the Guaranty, waive diligence and presentment. The undersigned waive notice of Franchisee's default under the Franchise Agreement or any other written document between Franchisee and Franchisor, and any notice required to be presented to Franchisee pursuant to any agreement with Franchisor.

This Guaranty shall remain effective as to any renewals, modifications or amendments to the Franchise Agreement, Promissory Note and all other documents executed by Franchisee, without notice or approval of same by the undersigned.

This Guaranty shall remain valid until released in writing by Franchisor. No action or inaction by Franchisor shall serve to release this Guaranty or the undersigned from any obligation undertaken by Franchisee or the undersigned.

Franchisor reserves the right to join the undersigned in any action or proceeding commenced against Franchisee. Franchisor may file suit and recover judgment directly from the undersigned without prior suit or exhaustion of any remedy against Franchisee.

If Franchisee becomes the subject of a bankruptcy, reorganization or other insolvency proceeding, no laws, regulations, administrative or judicial determinations pertaining to such action shall limit this Guaranty in any way.

This Guaranty shall be binding upon the undersigned's heirs, personal representatives, successors and assigns. This Guaranty shall not be revoked or impaired as to the undersigned by the death of the Franchisee or any other guarantor.

The undersigned agree to pay all costs of collection the Franchisor may incur, including reasonable attorneys' fees and court costs.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

GUARANTORS:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Address

EXHIBIT D2

INVENTORY PACKAGE

**INVENTORY PACKAGE**

Name of Franchise: \_\_\_\_\_

Received/Confirmed: \_\_\_\_\_

<b>Suggested Equipment</b>		
1 Back Pack Vacuum		
2 Mop Bucket Combo		
4 - 32 Gallon Brute Barrels		
4 Brute Wheels		
2 Cleaning Caddy		
2 Wet Mop Complete		
2 Lambs Wool Duster		
6 Packs Microfiber Cleaning Towels		
4 Sanitary Bowl Brushes		
1 Grout Brush		
2 Box Latex Gloves		
2 Pair Safety Glasses		
1 Window Kit		
2 4-pk Mr. Clean Erasers		
2-Wet Floor Signs		
6 Spray Bottles		
6 Spray Triggers		
<b>Chemicals</b>		
1 Hose		
2 Cs. Mr. Clean Floor Cleaner		
2 Cs. Spic & Span 3-in1 Clnr.		
2 Cs. Comet Disinfect Clnr.		
4 Quarts Carpet Spotter		
2 Quart Crème Cleanser		
2 Quart Citra Gloss		
2 Gallons Degreaser		
1 Red Pail		
<b>Other/Misc.</b>		
8 Pro One Shirts		

Notes: \_\_\_\_\_

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

FRANCHISOR:  
Pro One Janitorial, Inc.

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

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

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

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

Prices subject to change

EXHIBIT D3

SUPPLY REQUISITION AGREEMENT

E-way Order Number

\_\_\_\_\_ (office use only)

**SUPPLY REQUISITION AGREEMENT**

**SELLER:**  
Pro One Janitorial, Inc.  
1101 Ashwaubenon Street  
Green Bay, WI 54304  
(920) 339-1014

**BILL TO:**  
\_\_\_\_\_

QUANTITY	UNIT OF MEASURE	ITEM NUMBER	DESCRIPTION	UNIT PRICE

Freight Charge \$ \_\_\_\_\_  
Sub-Total \$ \_\_\_\_\_  
Sales Tax \$ \_\_\_\_\_  
  
TOTAL \$ \_\_\_\_\_

Buyer acknowledges delivery and receipt of the above supplies. Buyer authorizes Seller to deduct payment for the above supplies from Buyer's monthly statement. If monies due Buyer via the monthly statement are insufficient to cover amounts owed Seller hereunder, then Buyer shall pay the difference on or before the 28<sup>th</sup> day of the month in which the supplies are delivered.

**SELLER:**  
Pro One Janitorial, Inc.

**BUYER:**  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

FDD

EXHIBIT D4

REGIONAL CUSTOMER ACCOUNT ACCEPTANCE/DENIAL FORM



**PRO ONE JANITORIAL, INC.  
REGIONAL CUSTOMER  
ACCOUNT  
ACCEPTANCE/DENIAL**

Beginning Service Date: \_\_\_\_\_ Account #: \_\_\_\_\_ Monthly Revenue \$ \_\_\_\_\_  
Account Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_  
Phone #: \_\_\_\_\_

**DENIAL.** FRANCHISEE ACKNOWLEDGES THAT IT HAS BEEN OFFERED THE ABOVE-NAMED PRO ONE JANITORIAL, INC. ACCOUNT AND THAT IT HAS DENIED ACCEPTANCE OF THE SAME. *Initials:* \_\_\_\_\_ *Witness:* \_\_\_\_\_  
*Reason for Denial:* \_\_\_\_\_

**OR:**

**ACCEPTANCE.** FRANCHISEE ACKNOWLEDGES RECEIPT OF AND ACCEPTS RESPONSIBILITY FOR ALL DUTIES, SERVICES AND KEYS FOR THE ABOVE-NAMED PRO ONE JANITORIAL, INC. REGIONAL CUSTOMER ACCOUNT IN ACCORDANCE WITH THE FRANCHISE AGREEMENT ENTERED INTO BY FRANCHISEE AND IN ACCORDANCE WITH THE SERVICE AGREEMENT ENTERED INTO WITH THE ABOVE-NAMED ACCOUNT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT IF A REGIONAL CUSTOMER ACCOUNT REQUESTS THE USE OF CERTAIN PRODUCTS OR EQUIPMENT FOR MAINTENANCE OR FOR CLEANING THEIR FACILITY, FRANCHISEE MUST OBTAIN AND UTILIZE THE ITEMS REQUESTED BY THE CUSTOMER AND APPROVED BY FRANCHISOR.

**The safekeeping of keys is the responsibility of Franchisee as part of the required security for the Account. Should any keys be lost or not returned, Franchisee shall be responsible for all re-keying charges.**

Franchisee agrees to pay Franchisor a Regional Customer Account Fee of:  
\$ \_\_\_\_\_ (Regional Customer Account Fee)

The Regional Customer Account Fee shall be paid to Franchisor by Franchisee as follows:

To be deducted in full from Franchisee's next monthly statement.

The Balance of \$ \_\_\_\_\_ to be deducted from Franchisee's monthly statements commencing \_\_\_\_\_ in \_\_\_\_\_ equal monthly installments of \$ \_\_\_\_\_ each, (installments include 12% interest).

\*Franchisee personally guarantees payment of the Regional Customer Account Fee and agrees that any Regional Customer Account Fee payments not made in accordance with this Form may be deducted directly from Franchisee's monthly statements by Franchisor.

\*\*As stated in the Franchise Agreement, Franchisee shall pay all Regional Customer Account Fees even if the Customer Account is cancelled.

Initial \_\_\_\_\_ Date \_\_\_\_\_

FRANCHISEE:

FRANCHISOR:

Pro One Janitorial, Inc.

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

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

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

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

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

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

EXHIBIT E

LIST OF FRANCHISEES

Franchisee Name	Address	City	State	Zip	Home Phone
Arroyo Cleaning LLC	W3160 Westowne Ct.	Appleton	WI	54915-	920-215-3545
Silva Cleaning Service LLC	1677 W. Roselawn Dr.	Appleton	WI	54914-	920-427-2332
Kame Solutions LLC	918 W. Browning St.	Appleton	WI	54914-	(920) 739-0514
Cruzing Cleaning LLC	4421 N McCarthy Rd.	Appleton	WI	54913-	920-416-2385
Steves Janitorial LLC	1847 S Kernan Ave.	Appleton	WI	54915-	(920) 595-0853
Krystal Clean LLC	4780 N. Calhoun Rd.	Brookfield	WI	53005-	(414) 899-6852
Garcias Cleaning LLC	1309 S. Diane St.	Chilton	WI	53014-	920-891-6261
Naty's Janitorial LLC	408 Cherokee Ct.	DeForest	WI	53532-	(608) 334-0211
A&G Janitorial LLC	N526 Drumm Rd.	Denmark	WI	54208-	(920) 471-3751
K&M Janitorial LLC	6350 Glenmore Rd.	Denmark	WI	54208-	920-217-4276
New Era Janitorial LLC	2550 E Crais Ct.	DePere	WI	54115-	(920) 217-3396
Any Mess Cleaning Service LLC	3690 County Rd. PP	DePere	WI	54115-	(920) 327-9538
General Clean Services LLC	1214 George St., Apt. C	DePere	WI	54115-	(920) 634-1993
GutierrezMenjivar Cleaning LLC	818 Spruce St.	DePere	WI	54115-	920-518-1698
Clean Sweep Inc.	3499 Crocus Dr	DePere	WI	54115-	(920) 471-2175
Lealiou Cleaning Service LLC	710 S. Sixth St.	DePere	WI	54115-	(920) 264-3325
Dubon Janitorial Services, LLC	715 Red Cedar Ct.	DePere	WI	54115-	(920) 360-3480
Fond Du Lac Area Cleaning LLC	939 New Haven Ave.	Fond du Lac	WI	54935-	(920) 263-8348
AM Cleaners LLC	W7005 Saturn Dr.	Fond du Lac	WI	54937-	608-359-4901
SC Janitorial Services	115 Maria Ln.	Fond du Lac	WI	54935-	(920) 266-3550
E & N Janitorial Services LLC	247 Cottage Ave.	Fond du Lac	WI	54935-	(920) 602-0422
Yoleiva Cleaning Services LLC	831 Derby Ln.	Green Bay	WI	54301-	(956) 250-7263
Renaissance Cleaning Service LLC	215 S. Irwin Ave.	Green Bay	WI	54301-	(920) 510-4544
L&L Janitorial Services LLC	1420 Elm St.	Green Bay	WI	54302-	(920) 246-8823
Zaragoza Janitorial Services LLC	736 Green Valley Ave.	Green Bay	WI	54301-	(920) 384-8699
Jaime&Kristy Cleaning LLC	345 S. Roosevelt St.	Green Bay	WI	54301-	920-288-1857
Micky Cleaning LLC	1042 Newtols St.	Green Bay	WI	54302-	(920) 301-0814
Avila's Cleaning LLC	2261 Finger Rd.	Green Bay	WI	54302-	(920) 544-1065
Correas Professional Cleaning LLC	505 Welland Ave.	Green Bay	WI	54311-	(920) 327-3176
ARM Janitorial LLC	2601 Willow Grove Ln.	Green Bay	WI	54311-	(920) 265-3796
First Choice Cleaning LLC	417 Cricket Court	Green Bay	WI	54302-	(920) 265-3335
K&Jen Janitorial LLC	2672 Kathy Dr	Green Bay	WI	54311-	920-634-4859
RSJJ Andrade LLC	1785 Guns Rd.	Green Bay	WI	54311-	920-737-7278
Rivas Maintenance Solutions LLC	3138 Eastbreeze Ln.	Green Bay	WI	54311-	920-940-3061
L&P Cleaning Services LLC	PO Box 8342, 1951 Smith St.	Green Bay	WI	54302-	(920) 217-1207
Kat & Joe Janitorial Service LLC	2646 Wildflower Rd.	Green Bay	WI	54311-	920-360-4682
Cardenas Cleaning LLC	1434 Lynwood Ln.	Green Bay	WI	54311-	(920) 265-8604
Aguayo Cleaning LLC	1512 Lynwood Ln.	Green Bay	WI	54311-	(920) 471-7104
Arjon Cleaning Services LLC	852 Irvington St.	Green Bay	WI	54304-	(920) 241-5736
Tehuano Cleaning LLC	1348 Day St.	Green Bay	WI	54302-	920-327-2202
GEO Cleaning LLC	3063 Devroy Ln.	Green Bay	WI	54313-	786-523-3874
Bellevue Janitorial Services	2777 Blue Spruce Dr.	Green Bay	WI	54311-	920-784-8250
Salazar Janitorial LLC	823 Gross Ct.	Green Bay	WI	54304-	(920) 264-3327
Meza Cleaning Service LLC	2135 Allouez Ave.	Green Bay	WI	54311-	(920) 246-7296
Delossantos Professional Cleaning LLC	2400 Scray Hill Rd.	Green Bay	WI	54311-	(920) 264-6025
Alpha & Omega LLC	2339 Pecan St., Apt. 12	Green Bay	WI	54311-	(920) 445-4042
Avila Professional Cleaning LLC	3256 Windland Dr.	Green Bay	WI	54311-	920-815-5982
Alvarado Cleaning LLC	1125 Kellogg St.	Green Bay	WI	54303-	920-360-2229
Flawless Janitorial LLC	480 Robert Lane	Green Bay	WI	54311-	920-321-5416
CG Valdes Janitorial LLC	2046 Fern Ln.	Green Bay	WI	54302-	(920) 321-8416
Castaneda's Cleaning Service LLC	3500 Spyglass Hill Dr.	Green Bay	WI	54311-	(920) 634-4608
A&A Rivas Janitorial LLC	1981 Spring Creek Circle	Green Bay	WI	54311-	(920) 737-6714
J&L Cleaning Service LLC	726 Elmore St.	Green Bay	WI	54303-	(920) 791-7252
Rene H Cleaning LLC	200 Camilla Ln.	Green Bay	WI	54311-	(920) 264-4090
Aguillen Assoc. LLC	2622 Nicholas Dr.	Green Bay	WI	54311-	(920) 327-9551
E D & A LLC	147 Rose Lane	Green Bay	WI	54302-	(920) 360-5770
Mariclean LLC	1215 Berner St.	Green Bay	WI	54302-	(920) 264-2803
Mine Cleaning Service LLC	147 Rose Lane	Green Bay	WI	54302-	(920) 468-0180
Rodriguez Cleaning	679 Morris Ave.	Green Bay	WI	54304-	(920) 784-1262
Martinez Exquisite Cleaning LLC	1512 Lynwood Ln.	Green Bay	WI	54311-	(920) 461-0238
JMY Service LLC	1158 Pine St.	Green Bay	WI	54304-	(920) 362-2934
Affordable Business Cleaning LLC	2912 Brookview Dr.	Green Bay	WI	54313-	(920) 412-6414
Reyes Cleaning LLC	1109 Nier Ct.	Green Bay	WI	54303-	(920) 634-4605
Plancarte Excellence Janitorial LLC	3621 Folkstone Dr.	Green Bay	WI	54313-	(920) 242-4808
IVY Janitorial LLC	1677 W. Mason St.	Green Bay	WI	54303-	(920) 940-4145
Ignacia Janitorial LLC	2790 Newberry Ave.	Green Bay	WI	54302-	920-632-3690
Navarro Cleaning	841 Alpine Dr.	Green Bay	WI	54311-	(920) 437-1806
Floor Maintenance Professionals LLC	504 Ravine Rd.	De Pere	WI	54115-	(920) 468-9429
HDZ Cleaning	1265 Porlier St.	Green Bay	WI	54301-	(920) 412-6225
Vicente's Cleaning LLC	2440 Hampton Ave.	Green Bay	WI	54311-	(920) 264-7585

Franchisee Name	Address	City	State	Zip	Home Phone
Tafolla-Ruiz Janitorial LLC	712 S. Baird St.	Green Bay	WI	54301-	(920) 784-4651
Castros Cleaning LLC	3356 Paula St.	Green Bay	WI	54311-	920-370-2811
Star Cleaning Services Inc.	587 Morris Ave.	Green Bay	WI	54304-	(920) 412-1888
H&L Cleaning	2801 E. Edward	Green Bay	WI	54302-	(920) 265-7879
Berumen Brothers LLC	1331 Bellevue St., Lot 69	Green Bay	WI	54302-	(920) 562-2086
MP Cleaning LLC	1429 11th Av	Green Bay	WI	54304-	920-309-9571
Navarro Cleaning Services LLC	1331 Bellevue St. Lot 542	Green Bay	WI	54302-	(920) 406-1862
Mendez Family Cleaning LLC	913 S Roosevelt St.	Green Bay	WI	54301-	(920) 469-0543
Octavios Janitorial Service LLC	3155 Warm Springs Dr	Green Bay	WI	54311-	920-265-6249
E&K Cleaning Services	W6397 Birmingham St.	Greenville	WI	54942-	(920) 903-6225
Pedro Cleaning LLC	913 E. Memorial Dr.	Janesville	WI	53545-	(608) 957-2815
Morales Cleaning LLC	5100 38th Ave.	Kenosha	WI	53144-	262-914-2851
ICE Janitorial LLC	814 Lang Way	Kimberly	WI	54136-	920-376-3565
Rodriguez Professional Cleaning LLC	2296 Windmill Lane	Kronenwetter	WI	54455-	(715) 870-1012
Fullcleaningserv LLC	1155 S. Wells St. #1	Lake Geneva	WI	53147	847-373-8290
Sidon Janitorial Services LLC	E1662 Hill Rd.	Luxemburg	WI	54217-	920-677-2220
Y&E Cleaning Services LLC	2102 McKenna Blvd.	Madison	WI	53711-	(608) 658-8305
Wisconsin Cleaning Services LLC	26 Geronimo Cir	Madison	WI	53713-	(608) 217-8427
Josues Supreme Clean	2104 McKenna Blvd.	Madison	WI	53711-	(608) 658-2305
Samado Cleaning LLC	2 Hollywood Dr.	Madison	WI	53713-	(608) 609-0864
Snachez Cleaning LLC	616 Christianson Ave.	Madison	WI	53714-	(608) 242-2219
JASA Cleaners LLC	2 Hollywood Dr.	Madison	WI	53713-	(608) 609-0864
Ramiro & Maria Janitorial LLC	1113 Harold Dr.	Menasha	WI	54952-	(920) 450-7653
JC Cleaning Services LLC	4117 W. Morgan Ave., #2	Milwaukee	WI	53221-	(414) 803-6019
Star One Janitorial LLC	3072 N 41st St.	Milwaukee	WI	53210-	(414) 252-8535
Angels Cleaning Services LLC	910 S. 24th St.	Milwaukee	WI	53204-	(414) 215-8080
Floralva Cleaning Service LLC	207 Whitlow St.	Neenah	WI	54956-	920-360-4078
M&L Cleaning Services LLC	2129 Country Ln	Neenah	WI	54956-	(920) 540-3867
VP Diamond Shine LLC	3022 Lennon Ln.	Neenah	WI	54956-	920-364-3422
Lightning Cleaning LLC	4401 E. Oakwood Rd.	Oak Creek	WI	53154-	(414) 975-7722
Alvarez Cleanning LLC	553 E. River Dr.	Omro	WI	54963-	920-573-9942
Lopez Family Cleaning LLC	233 Washington Ave.	Omro	WI	54963-	(920) 203-4734
Villalobos Janitorial LLC	1030 S. Webster Ave.	Omro	WI	54963-	920-203-9262
Sky Cleaning LLC	742 Grove St.	Oshkosh	WI	54901-	920-203-3649
Silvio Janitorial LLC	475 S. Westhaven Dr., Apt. E104	Oshkosh	WI	54904-	920-376-6360
Quality First Janitorial Services LLC	2800 Maple Dr., Apt. 5	Plover	WI	54467-	(715) 571-6490
Cleaning Specialties LLC	2501 Forest Dr., Lot 222	Plover	WI	54467-	715-347-1191
Pro One HL LLC	125 Clark St.	St. Cloud	WI	53079-	262-689-2498
Master Clean Vargas LLC	1617 Burgundy Ln.	Stevens Point	WI	54482-	715-252-1917
Mora Cleaning LLC	1005 Vandenburg St.	Sun Prairie	WI	53590-	(608) 347-8238
E&V Cleaning LLC	191 White Tail Dr.	Sun Prairie	WI	53590-	(608) 338-2120
R&CS Cleaning LLC	6729 Hillcrest Rd.	Two Rivers	WI	54241-	(920) 265-3393
Costilla Cleaning LLC	805 Flieth St., #8	Wausau	WI	54401-	(715) 864-8586
Vazquez Cleaning LLC	1809 Northwestern Ave.	Wausau	WI	54403-	(920) 371-6019
Perez Cleaning Service	1121 S. 58th Street	West Allis	WI	53214-	(414) 233-3312

EXHIBIT F

FINANCIAL STATEMENTS

# Pro One Janitorial, Inc.

Financial Statements

Years Ended December 31, 2022 and 2021



**WIPFLI**

## **Independent Auditor's Report**

Board of Directors and Stockholder  
Pro One Janitorial, Inc.  
Green Bay, Wisconsin

### ***Opinion***

We have audited the accompanying financial statements of Pro One Janitorial, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pro One Janitorial, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro One Janitorial, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pro One Janitorial, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro One Janitorial, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Wipfli LLP*

Wipfli LLP

April 11, 2023  
Green Bay, Wisconsin



# Pro One Janitorial, Inc.

## Balance Sheets

<i>December 31,</i>	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,899,309	\$ 2,135,003
Accounts receivable - Trade - Net	1,604,355	1,518,149
Accounts receivable - Franchisees	315,637	284,988
Current maturities of notes receivable - Franchisees	73,661	100,337
Current maturities of note receivable - Stockholder	9,162	8,976
Inventories - Materials and supplies	24,118	29,799
Prepaid and other	100,400	108,496
Total current assets	5,026,642	4,185,748
Net property and equipment	366,149	378,327
Other assets:		
Notes receivable - Franchisees	12,463	22,478
Note receivable - Stockholder	175,662	185,010
Goodwill	501,395	501,395
Interest receivable - Stockholder	6,297	6,467
Total other assets	695,817	715,350
<b>TOTAL ASSETS</b>	<b>\$ 6,088,608</b>	<b>\$ 5,279,425</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Current maturities of long-term notes payable	\$ 51,103	\$ 34,108
Accounts payable - Trade	43,430	46,255
Accrued expenses and other liabilities	3,083,979	2,861,732
Total current liabilities	3,178,512	2,942,095
Long-term liabilities - Notes payable	142,858	114,401
Stockholder's equity:		
Common stock - No par value:		
Authorized - 9,000 shares		
Issued - 100 shares	100,000	100,000
Additional paid-in capital	420,732	420,732
Retained earnings	2,657,511	2,113,202
Less - 59 shares of treasury common stock, at cost	(411,005)	(411,005)
Total stockholder's equity	2,767,238	2,222,929
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 6,088,608</b>	<b>\$ 5,279,425</b>

See accompanying notes to financial statements.

# Pro One Janitorial, Inc.

## Statements of Income and Retained Earnings

<i>Years Ended December 31,</i>	2022		2021	
	Amount	Percent	Amount	Percent
<b>Revenue:</b>				
In-house	\$ 7,692	0.1 %	\$ 16,188	0.1 %
Initial franchise fees	209,091	1.0	207,735	1.1
Janitorial service	17,674,895	82.9	16,055,179	82.5
Service fees	3,419,652	16.0	3,170,779	16.3
<b>Total revenue</b>	<b>21,311,330</b>	<b>100.0</b>	<b>19,449,881</b>	<b>100.0</b>
<b>Cost of sales:</b>				
In-house	130,554	0.6	109,971	0.6
Janitorial service	17,565,701	82.4	15,957,911	82.0
<b>Total cost of sales</b>	<b>17,696,255</b>	<b>83.0</b>	<b>16,067,882</b>	<b>82.6</b>
Gross profit on sales	3,615,075	17.0	3,381,999	17.4
Operating expenses	2,191,371	10.3	2,146,831	11.0
Income from operations	1,423,704	6.7	1,235,168	6.4
<b>Other income (expense):</b>				
Interest expense	(7,468)	0.0	(8,152)	0.0
Interest income	16,395	0.0	17,979	0.1
Gain on sale of property and equipment	18,418	0.1	49,516	0.2
Income from forgiveness of debt	0	0.0	229,600	1.2
Other	286	0.0	457	0.0
Net income before income taxes	1,451,335	6.8	1,524,568	7.9
Income taxes	100,220	0.5	108,102	0.6
Net income after income taxes	1,351,115	<u>6.3 %</u>	1,416,466	<u>7.3 %</u>
Retained earnings at beginning	2,113,202		1,590,346	
Distributions to stockholder	(806,806)		(893,610)	
<b>Retained earnings at end</b>	<b>\$ 2,657,511</b>		<b>\$ 2,113,202</b>	

See accompanying notes to financial statements.

# Pro One Janitorial, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2022	2021
Change in cash:		
Cash flows from operating activities:		
Net income	\$ 1,351,115	\$ 1,416,466
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for depreciation	126,758	120,689
Provision for bad debts	7,688	15,012
Gain on sale of property and equipment	(18,418)	(49,516)
Income from forgiveness of debt	0	(229,600)
Changes in operating assets and liabilities:		
Accounts receivable and notes receivable - Franchisees	(87,682)	(270,368)
Inventories	5,681	(3,555)
Prepaid and other	8,096	(12,022)
Accounts payable	(2,825)	(28,212)
Accrued expenses and other liabilities	222,247	170,926
Total adjustments	261,545	(286,646)
Net cash flows from operating activities	1,612,660	1,129,820
Cash flows from investing activities:		
Proceeds from sale of property and equipment	18,418	26,950
Payments received on note receivable from stockholder	9,162	8,795
Capital expenditures	(114,580)	(70,146)
Net cash flows from investing activities	(87,000)	(34,401)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	88,145	95,694
Principal payments on long-term debt	(42,693)	(207,732)
Distributions to stockholder	(806,806)	(893,610)
Net cash flows from financing activities	(761,354)	(1,005,648)
Net change in cash	764,306	89,771
Cash at beginning	2,135,003	2,045,232
Cash at end	\$ 2,899,309	\$ 2,135,003

See accompanying notes to financial statements.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Principal Business Activity**

Pro One Janitorial, Inc. is a franchisor of janitorial service operations. It provides the framework for franchisees to offer janitorial services to the general public. Franchisees are generally located in eastern and central Wisconsin.

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. An allowance for potential credit losses was not considered necessary at December 31, 2022 and 2021.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

#### **Property, Equipment, and Depreciation**

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method for financial reporting purposes based on the estimated useful lives of the assets, ranging from 5 to 10 years.

#### **ASC 842 Lease Accounting**

For all underlying classes of assets, the Company has elected to not recognize right-of-use ("ROU") assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause or significant penalty and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

The Company made an accounting policy election for all asset classes to not separate the lease components of a contract and its associated non-lease components.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Goodwill**

The Company assesses goodwill for impairment at least annually. No impairment adjustment was deemed necessary for the years ended December 31, 2022 and 2021.

#### **Income Taxes**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal income taxes on its taxable income (nor is it allowed a net operating loss carryback or carryover as a deduction). Instead, the stockholder reports on his personal income tax returns his proportionate share of the Company's taxable income or loss and tax credits. The Company is committed to distribute funds sufficient to reimburse the stockholder for income taxes resulting from reporting the Company's taxable income on his personal tax returns.

For state tax purposes, the Company is also an S corporation. During 2022 and 2021, the Company elected to be taxed as a C corporation for Wisconsin income tax purposes for 2021 and 2020 and anticipates making this same election for 2022 when filing the corporate tax return. This election must be made each year the Company files its Wisconsin income tax form; therefore, no accrued or deferred income tax asset or liability has been recognized for Wisconsin income taxes. As a result, the Company recognized income tax expense for the amount of Wisconsin tax owed and paid for 2021 during 2022 and for 2020 during 2021. Prepaid and other on the accompanying balance sheets include prepaid state taxes of \$100,400 at December 31, 2022, and \$108,400 at December 31, 2021. The federal and state income tax returns remain open to examination by taxing authorities through their statutory periods.

#### **Revenue Recognition**

The Company's contract revenues are generated from janitorial service contracts and franchise contracts. The most significant economic factors that impact the nature, amount, timing, and uncertainties of the Company's revenue and cash flows are the various types of janitorial service customers and the overall economic conditions.

At contract inception, the Company assesses the goods and services promised in the contracts and identifies a performance obligation for each promise to transfer to the customer a good or service that is distinct. To identify the performance obligation, management considers all the goods and services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practice. Revenue is recognized when obligations under the terms of the contract are satisfied.

The Company obtains customers under janitorial service contracts and assigns janitorial customers to franchisees. The Company also provides the franchisees with monthly billing and collection services on the assigned janitorial customers. The Company remits the collections to the franchisees (franchise reimbursement) after deducting fees of 15% to 20% and any other payments due. Unremitted balances due to franchisees are recorded as franchise reimbursement liability.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition** (Continued)

The Company accounts for gross billings to janitorial service customers as janitorial service revenue and corresponding payments to franchisees as janitorial service costs. Revenue from janitorial services is recognized at the agreed-upon contractual amounts over time as services are completed based on contractual arrangements to provide services at the customer's locations. Service is generally billed mid-month for the following month's service. This results in a liability for unearned revenue. Amounts are recognized as revenue upon completion of the janitorial service. The Company receives payment directly from the customer. A receivable is recorded related to this revenue as the Company has an unconditional right to invoice and receive payment. Payments are typically received within the terms of 30 to 45 days.

The royalty fees collected from franchisees are accounted for as service fee revenue, which is a sales-based royalty received as part of the consideration for the franchise right. Revenue is recognized at the agreed-upon contractual rates over time as the customer level revenue is generated by the franchisees. A receivable is recognized for uncollected royalty fees.

In addition to the janitorial service royalties, the Company recognizes revenue from a one-time initial franchise fee charged to franchisees along with franchise renewal and transfer fees. The franchise fee is either received upon signing the franchise agreement, or it is financed by the Company through a note receivable. The notes receivable have an interest rate of 12% and are generally due within 18 months of issuance. The franchise license is considered symbolic intellectual property, and revenue related to the sale is recognized at the agreed-upon contractual amount over the term of the initial franchise agreement. Franchise renewal fees are recognized over the term of the renewal period, and transfer fees are recognized over the remaining term of the franchise agreement. Amounts are recognized as revenue over the term of the franchise agreement.

The Company also sells various supplies to franchises. Revenues from product sales are recognized at a point in time, once control of the products transfers to the franchisee. Product sales of \$148,832 in 2022 and \$122,676 in 2021 are included in janitorial service on the accompanying statements of income and retained earnings.

The Company recognized bad debt expense of \$7,688 in 2022 and \$15,012 in 2021 related to accounts and notes receivable.

Sales tax collected for governmental agencies is presented on a net basis within the accompanying financial statements.

When the Company enters into contracts with its customers, it generally expects there to be no significant timing difference between the date the goods have been shipped or service has been performed (satisfaction of the performance obligation) and the date cash consideration is received. Accordingly, there is no financing component to the Company's arrangements with its customers.

#### **Unearned Revenue**

Unearned revenue is a contract liability and consists of billings to janitorial service customers for service in a future period and for deferred initial franchise fees, renewal fees, and transfer fees.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Advertising Costs**

Advertising costs, which are included in operating expenses, are expensed as incurred. Total advertising costs charged to expense in 2022 and 2021 were approximately \$85,000 and \$86,000, respectively.

#### **New Accounting Pronouncement**

Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, will require the Company to present financial assets measured at amortized cost (including trade and franchisee receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. This accounting standard will be effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The Company is evaluating what impact this new standard will have on its financial statements.

#### **Subsequent Events**

Subsequent events have been evaluated through April 11, 2023, which is the date the financial statements were available to be issued.

### **Note 2: Accounting Pronouncements Adopted**

#### **ASU No. 2016-02, *Leases* (Topic 842)**

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted this guidance for the year ended December 31, 2022, with modified retrospective application to January 1, 2022 through a cumulative-effect adjustment. The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Company did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 2: Accounting Pronouncements Adopted (Continued)

In March 2023, the FASB issued ASU 2023-01, Leases (Topic 842): *Common Control Arrangements*. ASU No. 2023-01 is for leases under common control, which allows the Company to use the written terms and conditions of common control arrangements in determining whether a lease exists, and the subsequent accounting for the leases (including lease classification). The Company adopted this guidance for the year-ended December 31, 2022, with modified retrospective application to January 1, 2022 with no cumulative-effect adjustment. The Company's building lease is with an entity under common control and is written as a short term cancelable lease, with no renewal language. Accordingly, the Company presents its building lease within short-term leases under this ASU.

In addition, this ASU permits the Company to amortize leasehold improvements associated with leases under common control over the useful life of those improvements, regardless of the lease term, as long as the Company continues to control the use of the underlying asset through the lease. The Company does not currently have leasehold improvements related to the common control lease.

These standards did not have a material impact on the Company's equity or cash flows from operations and had no impact on the Company's operating results.

### Note 3: Receivables and Contract Balances

Opening and closing balances for accounts receivable, notes receivable, and contract liabilities arising from contracts with customers and franchisees include:

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable:			
Trade	\$ 1,604,355	\$ 1,518,149	\$ 1,250,582
Franchisees	315,637	284,988	264,635
Notes receivable - Franchisees	86,124	122,815	169,379
Contract liabilities:			
Unearned revenue - Janitorial services	1,419,059	1,317,983	1,200,427
Unearned revenue - Franchise fees	61,718	104,246	148,472



# Pro One Janitorial, Inc.

## Notes to Financial Statements

### Note 4: Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Equipment	\$ 67,410	\$ 65,039
Office equipment	73,387	72,327
Vehicles	959,598	992,123
Totals	1,100,395	1,129,489
Less - Accumulated depreciation	734,246	751,162
Net property and equipment	\$ 366,149	\$ 378,327

### Note 5: Note Receivable - Stockholder

The Company has an unsecured note receivable from the stockholder. The note balance is \$184,824 at December 31, 2022, and \$193,986 at December 31, 2021, of which \$9,162 at December 31, 2022, and \$8,976 at December 31, 2021, is classified as current. The note requires annual payments of \$12,980, including interest at 2.07%, which was the applicable federal rate as of the date of the note and is due March 5, 2030. Interest income on the note was \$4,003 in 2022 and \$4,185 in 2021. The Company has interest receivable for this note of \$6,297 and \$6,467 at December 31, 2022 and 2021, respectively.

### Note 6: Note Payable - Line of Credit

The Company has a line of credit with a bank of \$750,000 at December 31, 2022, and December 31, 2021. No amounts were outstanding at December 31, 2022 and 2021. Interest on outstanding borrowings is payable monthly at prime, with a floor of 3.50% (7.50% at December 31, 2022 and 3.50% at December 31, 2021). The line of credit expires December 11, 2023, and is secured by substantially all assets of the Company, as well as a real estate mortgage on the stockholder's property, a life insurance policy on the stockholder, and personal guarantee of the stockholder and his spouse.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

### Note 7: Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at December 31:

	2022	2021
Payroll	\$ 44,297	\$ 43,374
Franchise reimbursement	1,555,746	1,390,870
Unearned revenue	1,480,777	1,422,229
Interest	1,234	863
Other	1,925	4,396
<b>Totals</b>	<b>\$ 3,083,979</b>	<b>\$ 2,861,732</b>

### Note 8: Long-Term Notes Payable

Long-term notes payable consisted of the following at December 31:

	2022	2021
Notes payable to bank, payable monthly at \$1,650, including interest ranging from 3.09% to 4.55%, due on or before October 5, 2025	\$ 45,470	\$ 63,077
Notes payable to bank, secured by specific equipment, payable monthly at \$1,543, including interest ranging from 3.25% to 3.33%, due on or before May 3, 2027	69,551	85,432
Note payable to bank, secured by specific equipment, payable monthly at \$1,660, including interest a 4.85%, due May 2027	78,940	0
<b>Totals</b>	<b>193,961</b>	<b>148,509</b>
Less - Current maturities	51,103	34,108
<b>Long-term portion</b>	<b>\$ 142,858</b>	<b>\$ 114,401</b>

The bank notes payable are secured by substantially all assets of the Company, as well as a real estate mortgage on the stockholder's property, a life insurance policy on the stockholder, and a personal guarantee of the stockholder and his spouse.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 8: Long-Term Notes Payable (Continued)

Required payments of principal on long-term notes payable at December 31, 2022, including current maturities, are summarized as follows:

2023	\$	51,103
2024		52,471
2025		44,826
2026		32,296
2027		13,265
<hr/>		
Total	\$	193,961

The line of credit and bank notes are supported by loan agreements that provide, among other matters, certain restrictive covenants, including maintenance of certain ratios.

### Note 9: Paycheck Protection Program ("PPP") Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act created and funded the Small Business Administration ("SBA") PPP to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Company applied for and received a PPP loan of \$229,600 under this program. The Company applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven on January 19, 2021, and thus the income is recognized as income from forgiveness of debt in 2021 in the accompanying statements of income and retained earnings in accordance with Accounting Standards Codification ("ASC") 470, *Debt*.

### Note 10: Retirement Plan

The Company sponsors a defined contribution 401(k) retirement plan that covers substantially all employees. The Company makes safe harbor matching contributions equal to 100% of each employee's contribution up to 4% of their compensation. In addition, the Company may make discretionary contributions for the employee's benefit. The defined contribution 401(k) retirement plan expense totaled \$41,257 in 2022 and \$39,187 in 2021.

### Note 11: Leases

The Company leases office and warehouse space under a lease that qualifies as short-term from a related party under common control owned by the Stockholder and his spouse. Rent expense was \$75,600 in 2022 and 2021.

The Company accounted for leases for the year ended December 31, 2021 in accordance with ASC 840.

### Note 12: Related-Party Transactions

During 2022 and 2021, the Company had transactions with a franchisee that is owned by a member of management. The total expense paid to this franchisee was \$36,565 in 2022 and \$36,777 in 2021.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 13: Major Customer

In 2022, the Company had one customer accounting for 28% of janitorial service revenue aggregating \$4,924,733. Accounts receivable from this customer was \$386,721 at December 31, 2022.

In 2021, the same customer accounted for 27% of janitorial service revenue aggregating \$4,325,919. Accounts receivable from this customer was \$516,188 at December 31, 2021.

### Note 14: Concentration of Credit Risk

The Company maintains its cash at one financial institution. The balance, at times, may exceed federally insured limits.

### Note 15: Contingencies

The Company received full forgiveness from the SBA on its PPP loan in the amount of \$229,600 in January 2021. The SBA has the right to review funding eligibility and usage of funds for compliance with program requirements for up to six years from the date the forgiveness was granted. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management believes that any review will not have a material adverse impact on the Company's financial position.

### Note 16: Cash Flow Disclosures

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	2022	2021
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 7,097	\$ 8,444
Income taxes	108,220	122,502

### Noncash investing and financing activity:

The Company recognized proceeds from equipment disposed in a like-kind exchange transaction of \$118,138 in 2021. This trade-in allowance was capitalized in the cost of the new equipment in the year of the like-kind exchange.

# Pro One Janitorial, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



**WIPFLI**

## Independent Auditor's Report

Board of Directors and Stockholder  
Pro One Janitorial, Inc.  
Green Bay, Wisconsin

We have audited the accompanying financial statements of Pro One Janitorial, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and retained earnings 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Pro One Janitorial, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

March 2, 2021  
Green Bay, Wisconsin

# Pro One Janitorial, Inc.

## Balance Sheets

<i>December 31,</i>	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,045,232	\$ 1,205,300
Accounts receivable - Trade - Net	1,236,582	1,584,988
Accounts receivable - Franchisees	264,635	253,541
Current maturities of notes receivable - Franchisees	142,292	97,415
Current maturities of note receivable - Stockholder	8,794	8,592
Inventories - Materials and supplies	26,244	16,883
Prepaid and other	96,296	89,996
Total current assets	3,820,075	3,256,715
Net property and equipment	406,304	340,656
Other assets:		
Notes receivable - Franchisees	27,087	17,145
Note receivable - Stockholder	193,987	202,287
Goodwill	501,395	501,395
Interest receivable - Stockholder	6,645	6,645
Total other assets	729,114	727,472
<b>TOTAL ASSETS</b>	<b>\$ 4,955,493</b>	<b>\$ 4,324,843</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Current maturities of long-term notes payable	\$ 79,049	\$ 70,931
Accounts payable - Trade	74,467	33,872
Accrued expenses and other liabilities	2,690,806	2,644,162
Total current liabilities	2,844,322	2,748,965
Long-term liabilities:		
Notes payable	181,498	119,536
Paycheck Protection Program loan	229,600	0
Total long-term liabilities	411,098	119,536
Stockholder's equity:		
Common stock - No par value:		
Authorized - 9,000 shares		
Issued - 100 shares	100,000	100,000
Additional paid-in capital	420,732	420,732
Retained earnings	1,590,346	1,346,615
Less - 59 shares of treasury common stock, at cost	(411,005)	(411,005)
Total stockholder's equity	1,700,073	1,456,342
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 4,955,493</b>	<b>\$ 4,324,843</b>

See accompanying notes to financial statements.

# Pro One Janitorial, Inc.

## Statements of Income and Retained Earnings

<i>Years Ended December 31,</i>	2020		2019	
	Amount	Percent	Amount	Percent
<b>Revenue:</b>				
In-house	\$ 27,750	0.1 %	\$ 18,380	0.1 %
Initial franchise fees	267,140	1.4	215,236	1.2
Janitorial service	15,323,823	82.3	14,487,996	82.5
Service fees	3,019,202	16.2	2,843,992	16.2
<b>Total revenue</b>	<b>18,637,915</b>	<b>100.0</b>	<b>17,565,604</b>	<b>100.0</b>
<b>Cost of sales:</b>				
In-house	126,296	0.7	134,765	0.8
Janitorial service	15,220,209	81.6	14,355,431	81.7
<b>Total cost of sales</b>	<b>15,346,505</b>	<b>82.3</b>	<b>14,490,196</b>	<b>82.5</b>
Gross profit on sales	3,291,410	17.7	3,075,408	17.5
Operating expenses	2,042,160	11.0	2,104,141	12.0
Income from operations	1,249,250	6.7	971,267	5.5
<b>Other income (expense):</b>				
Interest expense	(11,361)	(0.1)	(8,897)	(0.1)
Interest income	20,520	0.1	28,248	0.2
Gain (loss) on sale of property and equipment	(82)	0.0	20,733	0.1
Other	(1,734)	0.0	241	0.0
Net income before income taxes	1,256,593	6.7	1,011,592	5.7
Income taxes	93,167	0.5	79,849	0.4
Net income after income taxes	1,163,426	<u>6.2 %</u>	931,743	<u>5.3 %</u>
Retained earnings at beginning	1,346,615		924,442	
Distributions to stockholder	(919,695)		(509,570)	
<b>Retained earnings at end</b>	<b>\$ 1,590,346</b>		<b>\$ 1,346,615</b>	

See accompanying notes to financial statements.



# Pro One Janitorial, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2020	2019
Change in cash:		
Cash flows from operating activities:		
Net income	\$ 1,163,426	\$ 931,743
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for depreciation and amortization	129,318	115,185
Provision for bad debts	14,513	1,260
Loss (gain) on sale of property and equipment	82	(20,733)
Changes in operating assets and liabilities:		
Accounts and notes receivable	267,980	(52,538)
Inventories	(9,361)	3,302
Prepaid and other assets	(6,300)	(89,160)
Accounts payable	40,595	(21,026)
Accrued and other liabilities	46,644	106,106
Total adjustments	483,471	42,396
Net cash flows from operating activities	1,646,897	974,139
Cash flows from investing activities:		
Net change in advance to stockholder	0	196,539
Proceeds from sale of property and equipment	0	22,671
Payments received on note receivable from stockholder	8,098	7,887
Capital expenditures	(195,048)	(135,839)
Net cash flows from investing activities	(186,950)	91,258
Cash flows from financing activities:		
Net borrowings (payments) on line of credit	0	(196,539)
Proceeds from issuance of Paycheck Protection Program loan	229,600	0
Proceeds from issuance of long-term debt	161,009	112,638
Principal payments on long-term debt	(90,929)	(116,718)
Distributions to stockholder	(919,695)	(509,570)
Net cash flows from financing activities	(620,015)	(710,189)
Net change in cash	839,932	355,208
Cash at beginning	1,205,300	850,092
Cash at end	\$ 2,045,232	\$ 1,205,300

See accompanying notes to financial statements.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Principal Business Activity

Pro One Janitorial, Inc. is a franchisor of janitorial service operations. It provides the framework for franchisees to offer janitorial services to the general public. Franchisees are generally located in eastern and central Wisconsin.

#### Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. The allowance for potential credit losses was \$14,000 as of December 31, 2020, and is reflected as an offset to accounts receivable in the accompanying balance sheets. An allowance for potential credit losses was not considered necessary as of December 31, 2019.

#### Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

#### Property, Equipment, and Depreciation

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method for financial reporting purposes based on the estimated useful lives of the assets.

#### Goodwill and Intangibles

The Company assesses goodwill for impairment at least annually. No impairment adjustment was deemed necessary for the years ended December 31, 2020 and 2019.

Intangibles subject to amortization are capitalized and amortized on a straight-line basis over their estimated useful life. Customer relationships became fully amortized during 2019 with amortization expense totaling \$14,697.

#### Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal income taxes on its taxable income (nor is it allowed a net operating loss carryback or carryover as a deduction). Instead, the stockholder reports on his personal income tax returns his proportionate share of the Company's taxable income or loss and tax credits. The Company is committed to distribute funds sufficient to reimburse the stockholder for income taxes resulting from reporting the Company's taxable income on his personal tax returns.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Income Taxes** (Continued)

For state tax purposes, the Company is also an S corporation. During 2020 and 2019, the Company elected to be taxed as a C corporation for Wisconsin income tax purposes for 2019 and 2018 and anticipates making this same election for 2020 when filing the corporate tax return. This election must be made each year the Company files its Wisconsin income tax form; therefore, no accrued or deferred income tax asset or liability has been recognized for Wisconsin income taxes. As a result, the Company recognized income tax expense for the amount of Wisconsin tax owed and paid for 2019 during 2020 and for 2018 during 2019. Prepaid and other on the accompanying balance sheets include prepaid state taxes of \$94,000 at December 31, 2020, and \$85,100 at December 31, 2019. The federal and state income tax returns remain open to examination by taxing authorities through their statutory periods.

#### **Revenue Recognition**

The Company's contract revenues are generated from janitorial service contracts and franchise contracts. The most significant economic factors that impact the nature, amount, timing, and uncertainties of the Company's revenue and cash flows are the various types of janitorial service customers and the overall economic conditions.

At contract inception, the Company assesses the goods and services promised in the contracts and identifies a performance obligation for each promise to transfer to the customer a good or service that is distinct. To identify the performance obligation, management considers all the goods and services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practice. Revenue is recognized when obligations under the terms of the contract are satisfied.

The Company obtains customers under janitorial service contracts and assigns janitorial customers to franchisees. The Company also provides the franchisees with monthly billing and collection services on the assigned janitorial customers. The Company remits the collections to the franchisees (franchise reimbursement) after deducting fees of 15% to 20% and any other payments due. Unremitted balances due to franchisees are recorded as franchise reimbursement liability.

The Company accounts for gross billings to janitorial service customers as janitorial service revenue and corresponding payments to franchisees as janitorial service costs. Revenue from janitorial services is recognized at the agreed-upon contractual amounts over time as services are completed based on contractual arrangements to provide services at the customer's locations. Service is generally billed mid-month for the following month's service. This results in a liability for unearned revenue. Amounts are recognized as revenue upon completion of the janitorial service. The Company receives payment directly from the customer. A receivable is recorded related to this revenue as the Company has an unconditional right to invoice and receive payment. Payments are typically received within the terms of 30 to 45 days.

The royalty fees collected from franchisees are accounted for as service fee revenue, which is a sales-based royalty received as part of the consideration for the franchise right. Revenue is recognized at the agreed-upon contractual rates over time as the customer level revenue is generated by the franchisees. A receivable is recognized for uncollected royalty fees.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition** (Continued)

In addition to the janitorial service royalties, the Company recognizes revenue from a one-time initial franchise fee charged to franchisees along with franchise renewal and transfer fees. The franchise fee is either received upon signing the franchise agreement or it is financed by the Company through a note receivable. The notes receivable have an interest rate of 12% and are generally due within 18 months of issuance. The franchise license is considered symbolic intellectual property, and revenue related to the sale is recognized at the agreed-upon contractual amount over the term of the initial franchise agreement. Franchise renewal fees are recognized over the term of the renewal period, and transfer fees are recognized over the remaining term of the franchise agreement. Amounts are recognized as revenue over the term of the franchise agreement.

The Company also sells various supplies to franchises. Revenues from product sales are recognized at a point in time, once control of the products transfers to the franchisee. Product sales of \$132,695 in 2020 and \$147,285 in 2019 are included in janitorial service on the accompanying statements of income and retained earnings.

The Company recognized bad debt expense of \$14,513 in 2020 and \$1,260 in 2019 related to accounts and notes receivable.

Sales tax collected for governmental agencies is presented on a net basis within the accompanying financial statements.

When the Company enters into contracts with its customers, it generally expects there to be no significant timing difference between the date the goods have been shipped or service has been performed (satisfaction of the performance obligation) and the date cash consideration is received. Accordingly, there is no financing component to the Company's arrangements with its customers.

#### **Unearned Revenue**

Unearned revenue is a contract liability and consists of billings to janitorial service customers for service in a future period and for deferred initial franchise fees, renewal fees, and transfer fees.

#### **Advertising Costs**

Advertising costs, which are included in operating expenses, are expensed as incurred. Total advertising costs charged to expense in 2020 and 2019 were approximately \$89,000 and \$88,000, respectively.

#### **New Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic) 842. This ASU requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income and retained earnings. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2021. The Company is currently evaluating the impact of this standard.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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

#### Subsequent Events

Subsequent events have been evaluated through March 2, 2021, which is the date the financial statements were available to be issued.

### Note 2: Receivables and Contract Balances

Opening and closing balances for accounts receivable, notes receivable, and contract liabilities arising from contracts with customers and franchisees include:

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable:			
Trade	\$ 1,250,582	\$ 1,584,988	\$ 1,470,843
Franchisees	264,635	253,541	239,994
Notes receivable - Franchisees	169,379	114,560	190,974
Contract liabilities:			
Unearned revenue - Janitorial services	1,200,427	1,169,856	1,098,594
Unearned revenue - Franchise fees	148,472	201,433	191,212

### Note 3: Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Equipment	\$ 86,932	\$ 66,252
Office equipment	66,599	67,417
Vehicles	1,084,582	913,621
Totals	1,238,113	1,047,290
Less - Accumulated depreciation	831,809	706,634
Net property and equipment	\$ 406,304	\$ 340,656

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 4: Note Receivable and Cash Advance Due From Stockholder

The Company has an unsecured note receivable from the stockholder. The note balance is \$202,781 at December 31, 2020, and \$210,879 at December 31, 2019, of which \$8,794 at December 31, 2020, and \$8,592 at December 31, 2019, is classified as current. The note requires annual payments of \$12,980, including interest at 2.07%, which was the applicable federal rate as of the date of the note and is due March 5, 2030. Interest income on the note was \$4,881 in 2020 and \$5,885 in 2019. The Company has interest receivable for this note of \$6,645 at December 31, 2020 and 2019.

### Note 5: Note Payable - Line of Credit

The Company has a line of credit with a bank for \$750,000 at December 31, 2020, and \$350,000 at December 31, 2019. No amounts were outstanding at December 31, 2020 and 2019. Interest on outstanding borrowings is payable monthly at prime, with a floor of 3.50% at December 31, 2020 (3.50%), and prime plus 0.75% at December 31, 2019 (5.50%). The line of credit expires December 11, 2021, and is secured by substantially all assets of the Company, as well as a real estate mortgage on the stockholder's property, a life insurance policy on the stockholder, and personal guarantee of the stockholder and his spouse.

### Note 6: Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at December 31:

	2020	2019
Payroll	\$ 40,206	\$ 26,225
Franchise reimbursement	1,297,746	1,243,739
Unearned revenue	1,348,899	1,371,289
Interest	1,155	994
Other	2,800	1,915
Totals	\$ 2,690,806	\$ 2,644,162

# Pro One Janitorial, Inc.

## Notes to Financial Statements

### Note 7: Long-Term Notes Payable

Long-term notes payable consisted of the following at December 31:

	2020	2019
Notes payable to bank, payable monthly at \$1,650, including interest ranging from 3.09% to 4.55%, due on or before October 5, 2025	\$ 80,020	\$ 0
Notes payable to bank, payable monthly at \$5,274, including interest ranging from 3.75% to 4.75%, due on or before November 11, 2024	119,214	175,675
Note payable to bank, payable monthly at \$1,500, including interest at 4.50%, paid in 2020	0	14,792
Term note, secured by specific equipment, payable monthly at \$1,113, including interest at 3.94%, due February 29, 2026	61,313	0
<b>Totals</b>	<b>260,547</b>	<b>190,467</b>
Less - Current maturities	79,049	70,931
<b>Long-term portion</b>	<b>\$ 181,498</b>	<b>\$ 119,536</b>

The bank notes payable are secured by substantially all assets of the Company as well as a real estate mortgage on the stockholder's property, a life insurance policy on the stockholder, and a personal guarantee of the stockholder and his spouse.

Required payments of principal on long-term notes payable at December 31, 2020, including current maturities, are summarized as follows:

2021	\$ 79,049	
2022	58,503	
2023	52,622	
2024	48,514	
2025	20,111	
Thereafter	1,748	
<b>Total</b>	<b>\$ 260,547</b>	

The line of credit and bank notes are supported by loan agreements that provide, among other matters, certain restrictive covenants, including maintenance of certain ratios.

# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### **Note 8: Paycheck Protection Program (PPP) Loan**

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) PPP to provide loans designated to help small businesses cover their near-term operating expense and provide an incentive to retain their employees during the COVID-19 pandemic. The Company applied for and received a PPP loan of \$229,600 that may be partially or fully forgiven based on satisfying the terms and conditions of the program. The PPP loan is unsecured and guaranteed by the SBA.

Subsequent to year-end, on January 19, 2021, the Company received notification from the SBA that the PPP loan was forgiven in full. As a result, the total loan balance will be reflected as debt forgiveness income during 2021.

### **Note 9: Retirement Plan**

The Company sponsors a defined contribution 401(k) retirement plan that covers substantially all employees. The Company makes safe harbor matching contributions equal to 100% of each employee's contribution up to 4% of their compensation. In addition, the Company may make discretionary contributions for the employee's benefit. The defined contribution 401(k) retirement plan expense totaled \$36,015 in 2020 and \$32,453 in 2019.

### **Note 10: Leases**

The Company leases office and warehouse space on a month-to-month basis from a related party owned by the stockholder and his spouse. Rent expense was \$75,600 in 2020 and 2019.

In addition, office equipment is leased under operating lease agreements that expire at various dates through 2022, and the Company rents equipment on an as-needed basis. Rent expense for equipment was \$5,712 in 2020 and \$5,005 in 2019.

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms in excess of one year, are immaterial.

### **Note 11: Related-Party Transactions**

During 2020 and 2019, the Company had transactions with a franchisee that is owned by a member of management. The total expense paid to this franchisee was \$38,948 in 2020 and \$39,553 in 2019.

### **Note 12: Major Customer**

In 2020, the Company had one customer accounting for 27% of janitorial service revenue aggregating \$4,066,203. Accounts receivable from this customer was \$357,876 at December 31, 2020.

In 2019, the same customer accounted for 26% of janitorial service revenue aggregating \$3,798,278. Accounts receivable from this customer was \$334,092 at December 31, 2019.



# Pro One Janitorial, Inc.

## Notes to Financial Statements

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### Note 13: Concentration of Credit Risk

The Company maintains its cash at one financial institution. The balance, at times, may exceed federally insured limits.

### Note 14: Cash Flow Disclosures

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	2020	2019
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 11,200	\$ 8,709
Income taxes	102,067	164,949

### Noncash investing and financing activities:

The Company recognized proceeds from equipment disposed in a like-kind exchange transaction of \$4,500 in 2019. This trade-in allowance was capitalized in the cost of the new equipment.

EXHIBIT G

TRANSFER, CONSENT AND RELEASE AGREEMENT

## **TRANSFER, CONSENT AND RELEASE AGREEMENT**

**This TRANSFER, CONSENT AND RELEASE AGREEMENT** (hereinafter referred to as the "Agreement") is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and among Pro One Janitorial, Inc., a Wisconsin corporation (hereinafter referred to as "Pro One") and \_\_\_\_\_, a \_\_\_\_\_ (hereinafter referred to as "Franchisee"); and \_\_\_\_\_ a \_\_\_\_\_ (hereinafter referred to as "Transferee").

**WHEREAS**, Pro One and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (hereinafter referred to as the "Franchise Agreement") pursuant to which Pro One granted Franchisee the right to operate a Pro One Janitorial® franchise;

**WHEREAS**, Pro One has been notified of Franchisee's desire to transfer to Transferee all right, title and interest held by Franchisee, in and to the Franchise Agreement and, therefore, has requested that Pro One consent to the transfer thereof to Transferee pursuant to the terms of the Franchise Agreement; and

**WHEREAS**, Pro One is willing to grant its consent to the proposed transfer of the Franchise Agreement, subject to the terms and conditions set forth herein.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained herein, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereby agree as follows:

1. Franchisee hereby transfers, assigns and conveys to Transferee all of Franchisee's rights, title and interest in, to and arising from the Franchise Agreement.

2. Pro One hereby consents to and waives its right of first refusal in connection with the transfer by Franchisee to Transferee of all of Franchisee's right, title and interest in and to the Franchise Agreement. The foregoing consent and waiver are subject to and made in reliance upon the following terms, conditions, representations and warranties:

A. Transferee has provided Pro One with all financial and other information as required by Pro One in order to assess Transferee's moral character, financial capabilities, competent business qualifications and ability to meet Pro One's current standards for franchisees, and Transferee represents and warrants that all such information provided to Pro One by Transferee is complete, accurate and not misleading.

B. Franchisee and Transferee represent, warrant and agree that, subject to Pro One's consent, Franchisee has transferred to Transferee all of Franchisee's rights, title and interest in, to and arising from the Franchise Agreement, and that all legal actions necessary to effect such transfer have been accomplished.

C. Transferee must execute Pro One's current form of franchise agreement and any related agreements currently being used by Pro One for new franchisees; provided, however, that the first page of the current form of franchise agreement shall be

replaced with the Transfer Franchise Agreement page in the form attached to this Agreement as Exhibit A.

D. All the owners of Transferee must execute a written agreement in a form satisfactory to Pro One, jointly and severally guaranteeing the full payment and performance of Transferee's obligations to Pro One and agreeing to be personally bound by all covenants and restrictions imposed upon Transferee as franchisee under the franchise agreement

E. Franchisee must pay to Pro One, in a manner satisfactory to Pro One, all monetary obligations, including, but not limited to, all obligations pursuant to the Franchise Agreement and any Account Acceptance agreements, as well as any transfer fee and any amounts for equipment and supplies.

F. Franchisee must not be in default of the Franchise Agreement, and Franchisee and Transferee acknowledge and agree that all obligations owed by either of them to Pro One must be resolved to Pro One's satisfaction as a condition of Pro One's execution of this Agreement.

G. Franchisee acknowledges and agrees that, notwithstanding the terms of this Agreement, Franchisee will comply with all of the requirements of the Franchise Agreement, which, by their nature, are intended to survive the termination or expiration of the Franchise Agreement, including, but not limited to, the covenants against competition and against disclosure of proprietary information as specified therein.

H. Transferee shall be and shall remain liable for all obligations under the Franchise Agreement and shall perform all unperformed or partially performed terms and conditions of said Franchise Agreement as though Transferee were the original franchisee thereunder as of the effective date of this Agreement.

I. Transferee or such personnel of Transferee as required by Pro One must complete Initial Training as referenced in Pro One's current form Franchise Agreement to Pro One's satisfaction as set forth herein.

3. Pro One agrees that, upon execution of all appropriate documentation, Pro One shall transfer to Transferee the right to service those Regional Customer Accounts serviced by Franchisee under the Franchise Agreement prior to transfer and assignment of the Franchise Agreement, specifically identified on Exhibit B to this Agreement; provided, however, that if Transferee fails to complete Initial Training to Pro One's satisfaction within 45 days of the assignment of rights hereunder, then Pro One can terminate the right of Transferee to perform services for all Regional Accounts until such time as Transferee satisfactorily completes Initial Training.

4. As further consideration for the consent by Pro One to the foregoing transfer and assignment by Franchisee to Transferee and the execution of this Agreement, Franchisee, its directors, officers, owners, and guarantors, hereby release and forever discharge Pro One, its directors, officers, employees and agents, in their corporate and individual capacities, and their

respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against such parties, from the beginning of time to the date hereof, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Franchise Agreement. In addition, Franchisee hereby agrees to (i) subordinate any claims Franchisee may have against Transferee to any amounts owed by Transferee to Pro One and (ii) indemnify Pro One against all claims brought against Franchisee by Transferee, except for claims arising out of the franchise relationship between Pro One and Transferee, for a period of three (3) years following the transfer.

5. Franchisee and Transferee acknowledge and agree that, except for the preparation and execution of this Agreement, Pro One has not participated in the transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by and between Franchisee and Transferee in connection with this transfer. Pro One assumes no obligations in that regard.

6. Franchisee and Transferee acknowledge and agree that Pro One's execution of this Agreement is not intended to provide, and shall not be construed as providing, Pro One's consent with regard to a transfer of any right or interest under any other agreement not specifically identified herein. Such consent must be separately obtained.

7. If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be stricken, and this Agreement will continue in full force and effect. Notwithstanding this provision, however, the parties agree that, to the extent Pro One suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall make Pro One whole.

8. This Agreement shall take effect upon its execution by Pro One. The parties hereto agree that this Agreement constitutes, as of the date of execution by Pro One, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranty, or statement, oral or in writing, not contained herein, shall be of any force and effect against Pro One and this Agreement shall not be modified, altered or amended except in writing signed by all parties. Capitalized words not otherwise defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement. The parties intend for this Agreement to be construed and interpreted under the laws of the State of Wisconsin.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

**FRANCHISOR:**  
**Pro One Janitorial, Inc.**

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

**FRANCHISEE:**

\_\_\_\_\_

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

**TRANSFeree:**

\_\_\_\_\_

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

**EXHIBIT A**

**PRO ONE JANITORIAL, INC.  
TRANSFER FRANCHISE AGREEMENT**

This Transfer Franchise Agreement is made and entered into by and between PRO ONE JANITORIAL, INC., a Wisconsin corporation, hereinafter referred to as "Pro One Janitorial" or "Franchisor", and \_\_\_\_\_, hereinafter referred to, singularly or collectively, as "Franchisee" for the purposes of allowing Franchisee to operate a business as a Franchisee of Pro One Janitorial. Franchisee is doing business as a:  
☐ Limited Liability Company    ☐ Partnership    ☐ Corporation, formed under the laws of the State of \_\_\_\_\_.

Effective Date of Agreement: **The effective date of this Transfer Franchise Agreement will be the date it is signed by a corporate officer of Pro One Janitorial and Franchisee.**

TERM OF FRANCHISE ("Initial Term"): 5 years      DESIGNATED AREA: \_\_\_\_\_

TRANSFER FEE: \$ \_\_\_\_\_      Paid by:    ☐ Franchisee

FINANCING: Franchisee's Promissory Note balance is \$ \_\_\_\_\_ and Franchisee/Transferee will sign a new note in this amount (with interest at the rate of 12% per annum).

Remaining Financing Period: \_\_\_\_\_ months      Amount of Monthly Installment: \$ \_\_\_\_\_

The first installment of principal and interest shall be due and payable on 28<sup>th</sup> day of \_\_\_\_\_, 20\_\_\_\_.

REPRESENTATIONS: Set forth below is the name, address and other information for each partner or each shareholder or member, as the case may be (attach additional sheets if necessary):

<u>Principal</u>	<u>Address</u>	<u>Phone #</u>	<u>S.S.#</u>	<u>% Interest</u> **
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\_\_\_\_\_  
\*\*As to a corporation or limited liability company, this shall indicate the percentage ownership of the outstanding equity of the entity. As to a partnership, this shall indicate the percentage ownership of the capital and/or profits of the partnership.

Federal I.D. # of Franchisee: \_\_\_\_\_

Address for mailing notices to Franchisee: \_\_\_\_\_

If Franchisee has not completed Pro One Janitorial's initial training as provided in Paragraph 4.3 hereof ("Initial Training"), Franchisee will be required to do so.

Franchisee acknowledges receipt from Pro One Janitorial of the Franchise Disclosure Document which describes the franchise to be operated pursuant to the terms of this Agreement and which Franchisee has held for at least 14 days before signing any agreement or paying Pro One Janitorial any money. Franchisee acknowledges receipt of a completed copy of this Transfer Franchise Agreement at least 7 days prior to its execution.

**FRANCHISEE:**

\_\_\_\_\_

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

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

**EXHIBIT B**

**REGIONAL CUSTOMER ACCOUNTS**



## **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Wisconsin	[Pending]

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.

**ITEM 23**

**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 Pro One Janitorial, Inc. offers you a franchise, it must provide this Disclosure Document to you fourteen 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 (**or sooner if required by applicable state law**).

If Pro One Janitorial, Inc. 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 state agency referred to in Exhibit A.

The name, principal business address, and telephone number of the franchise seller offering this franchise is Jeff Griffin, 1101 Ashwaubenon Street, Green Bay, Wisconsin 54304, (920) 339-1014.

Issuance Date: April 13, 2023

Our authorized agents to receive service of process on our behalf in the different states are indicated in Exhibit A.

I have received a Franchise Disclosure Document with an issuance date of April 13, 2023. See page entitled "State Effective Dates" for state specific effective dates. This Disclosure Document included the following Exhibits:

- A. List of State Agencies and Registered Agents
- B. Table of Contents of Manual
- C. Franchise Agreement and State Addenda
- D. Promissory Note
- D1. Personal Unlimited Guaranty
- D2. Inventory Package
- D3. Supply Requisition Agreement
- D4. Regional Customer Account Acceptance/Denial Form
- E. List of Franchisees
- F. Financial Statements
- G. Transfer, Consent and Release Agreement

Please indicate the date on which you received this Disclosure Document, then sign and print your name below, indicate the date you sign this Receipt, and promptly return one completed copy of the Receipt to Jeff Griffin, at 1101 Ashwaubenon Street, Green Bay, Wisconsin 54304. The second copy of the Receipt is for your records.

Date Disclosure Document Received:

\_\_\_\_\_

Date Receipt Signed:

\_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee's Signature

\_\_\_\_\_  
Print Name

**ITEM 23**

**RECEIPT**

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Prospective Franchisee's Signature

\_\_\_\_\_  
Print Name