



**FRANCHISE DISCLOSURE DOCUMENT**

**SandalStone Ventures, Inc. d/b/a  
Vanguard Cleaning Systems of SE Wisconsin  
A Wisconsin Corporation  
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Our franchisees operate independent businesses (VCS Businesses) providing commercial janitorial services using the Vanguard Cleaning Systems<sup>®</sup> service marks.

The total estimated investment necessary to begin operation of a VCS Business franchise is between \$5,500 to \$8,700. This includes the \$5,000 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 Daniel W. Schauer, President, at 4325 S. 60<sup>th</sup> Street, Suite 2, Greenfield WI 53220 or by telephone at (414) 763-1777.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an 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, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: February 1, 2022

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 Exhibits C and 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 D 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 VCS 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 VCS Business franchisee?</b>	Item 20 or Exhibits C and 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 the 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 F.

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

## Special Risks to Consider about *This Franchise*

Certain states require the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation and arbitration only in Wisconsin. Out-of-state mediation and arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or arbitrate with us in Wisconsin than in your own state.

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

State	Effective Date
WI	February 23, 2022

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## **ITEM 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

#### **The Franchisor, Its Predecessor**

In this Disclosure Document “We,” “Us” or “the Region” means SandalStone Ventures, Inc. d/b/a/ Vanguard Cleaning Systems of SE Wisconsin, the company offering this franchise. “You” means the corporation or limited liability company that buys the franchise and each shareholder or member of that franchisee entity. Capitalized terms not defined in this Disclosure Document have the meaning described in the Franchise Agreement (“Franchise Agreement” or “Agreement”) attached as Exhibit A to this Disclosure Document.

We are a Corporation formed in the State of Wisconsin on October 5, 2011. We do business under the name Vanguard Cleaning Systems of SE Wisconsin. Our principal office is located at 4325 S. 60<sup>th</sup> Street, Suite 2, Greenfield, WI 53220.

Our agent for service of process is listed on Exhibit F.

We have no parent or predecessor required to be disclosed in this Item.

We do not have any affiliates that offer goods or services to our franchisees or that offer or sell franchises in any line of business.

#### **Business of the Franchisor and the Franchise Offered**

Our business is the offer and sale of franchises for independently owned and operated businesses that specialize in commercial janitorial services under the form of Franchise Agreement attached as Exhibit A and are licensed to operate under the Vanguard Cleaning Systems<sup>®</sup> service marks (each, a “VCS Business”). Neither we nor our employees perform commercial cleaning services.

We have a Master Franchise Agreement with Vanguard Cleaning Systems, Inc. (“Vanguard”) to offer these VCS Business franchises in our Development Area, which consists of the counties of Milwaukee, Waukesha, Racine, Kenosha, Washington and Ozaukee, Wisconsin. Our Master Franchise Agreement is dated October 24, 2011, has an initial term of 20 years and is renewable by us for an additional 20 years, subject to certain conditions. If we grant you a franchise, your contractual relationship will be with us. Vanguard does not sign and is not a party to the agreements we make with our franchisees.

Our franchisees are sublicensed to use Vanguard Cleaning Systems<sup>®</sup> processes, standards, know-how and other proprietary information, called the “System”, as well as the Vanguard Cleaning Systems<sup>®</sup> service marks, logo and other commercial symbols (the “Marks.”) We are licensed by Vanguard to grant these sublicenses.

There are no regulations specific to the commercial janitorial services business known to us. Like other businesses, you may be subject to generally applicable laws like worker’s compensation, OSHA regulations, environmental regulations, privacy and data protection laws and others. These regulations may require you to undertake measures for the protection of employees and the public. You should contact local and state authorities for detailed information on these requirements. We recommend you consult with your attorney.

The market for your VCS Business, commercial janitorial services, is fairly well developed. Additional growth is expected from new business construction and the trend toward outsourcing janitorial and maintenance work. Accounts include owners or operators of business and professional offices, as well as commercial, industrial, medical and educational facilities. Competition includes nationally franchised and local commercial janitorial and building maintenance businesses. Customers can be lost for various reasons, such as poor service, better competitor pricing, a poor economy, and other company specific business reasons.

### **Prior Business Experience**

We have offered VCS Business franchises since January, 2012. We have never offered franchises in any other line of business.

### **The Franchised Business**

If you become our franchisee, you will be a VCS Business. You will be licensed to use the Vanguard Cleaning Systems business System to offer commercial janitorial services under the Vanguard Cleaning Systems Marks to customer Accounts on Account sites (each, a “VCS Account”).

This Disclosure Document summarizes certain key features of our VCS Business franchise. You must refer to the Franchise Agreement attached as Exhibit A to this Disclosure Document for complete information. You should understand that if you become an owner of a Vanguard Cleaning Systems franchisee, you will be an independent business owner and solely responsible for the day to day operations of that business, including the hiring, firing, managing, compensating, scheduling and disciplining of your own employees and all of the terms and conditions of their employment. The people you select to work in your VCS Business will be your agents and employees. They will not be our or Vanguard’s employees or agents.

Owning a franchised business also involves economic risks. These risks may be greater for a new business with limited experience, such as a new franchise business. Any revenue, sales volume, profit and possible success you achieve are primarily dependent on your financial, management and other resources; your business, marketing, management judgment and other personal skills; your willingness to work hard and your proper use of the Vanguard Cleaning Systems franchised System. We cannot and do not guarantee your success or any income level. Note that as of the date of this Disclosure Document the coronavirus pandemic is ongoing. While it is anticipated to have a limited life, its duration is uncertain, as are the economic consequences that may result from the event. A Vanguard Cleaning Systems franchised business may be negatively impacted by these circumstances through commercial building closures, a limited labor pool, biological risks, an inability to provide the special services an account may require, a downturn in the economy and a variety of other factors. These kinds of uncertainties exist across the globe and across industries.

### **Master Franchisor Information**

Vanguard is a California corporation incorporated in April 1984. Vanguard does business under the name “Vanguard Cleaning Systems” and “Vanguard.” Vanguard’s principal office is located at 655 Mariners Island Blvd., Suite 303, San Mateo, California, 94404. Vanguard offers a Master Franchise for qualified persons to operate as Vanguard’s subfranchisors (like the Region) within certain geographic markets. The Master Franchise is not being offered to you. It is the subject of a separate Disclosure Document. The System and the Marks belong to Vanguard, and the Region has a license to use them in offering and supporting our franchises. Vanguard is engaged exclusively in the business of licensing the



System and providing support services to master franchisees like us. Neither it nor its employees perform commercial cleaning services.

Vanguard offered VCS Business franchises from April 1984 through June 2013, but no longer does so. Vanguard has never offered or sold any other franchises.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Our Management:**

#### **Daniel W. Schauer: President and General Manager**

Mr. Schauer has been the President and General Manager of Vanguard Cleaning Systems of SE Wisconsin since our formation on October 5, 2011. Prior to becoming President and General Manager of Vanguard Cleaning Systems of SE Wisconsin, he was interim General Manager for the Milwaukee Mustangs, a professional football team in the Arena Football League from January 2011 to June 2011. From April 2009 to December 2010, Mr. Schauer was the Director of Global Business Planning at Briggs & Stratton Corporation in Wauwatosa, WI. From June 2000 to April 2009, Mr. Schauer was employed by Diversey, Inc. in Sturtevant, WI, global supplier of commercial cleaning products. From 2006 to 2009 Mr. Schauer was Sales & Operations Planning Lead at Diversey, Inc. From 2004 to 2006 Mr. Schauer was Marketing Manager at Diversey, Inc. From 2002 to 2004, Mr. Schauer was Packaging Production Manager at Diversey, Inc.

#### **Gretchen Kubash: Brand Services Manager**

Ms. Kubash is Brand Services Manager for Vanguard Cleaning Systems of SE WI. She joined the company in January of 2012. Prior to joining Vanguard, she was Accounting and Human Resource Manager for Quality Calibration in West Allis, WI from February 2008 to March of 2009. From March 2002 to July 2007 she was Accounting Specialist for SoftwareONE in New Berlin, WI. From January 1997 to March 2002 she was Office Manager at John Goes Studio.

### **Vanguard's Management:**

#### **Raymond Lee: President; Director; Chief Financial Officer**

Mr. Lee has been the President and Chief Financial Officer for and a Director of Vanguard since February 1995, and Chief Financial Officer and a Director of RR Franchising, Inc. since its inception in February 2013.

#### **Jim Foley: Senior Vice President, Master Franchise Development**

Mr. Foley is Senior Vice President, Master Franchise Development. He joined Vanguard in January 2009 as Director, Master Franchise Operations, and was promoted to Vice President Master Franchise Operations in May 2009 and to his current position in August 2014.

#### **Steve McConnell: Vice President, Marketing**

Mr. McConnell joined Vanguard in April 2014. From January 2012 to March 2014 he was Vice President, Marketing for Talk-Free Inc. in San Mateo, California.

**Margaret Narodick: Chief Legal Officer**

Ms. Narodick has been our Chief Legal Officer since August 2018. From June 2002 until that time she served as Senior Counsel with Holmes Lofstrom, PC (previously Holmes Lofstrom, LLP) in Long Beach, California.

**Eric Last: Franchise Development Director**

Mr. Last has been Vanguard’s Franchise Development Director since January 2005.

**ITEM 3**  
**LITIGATION**

**The Region**

No litigation is required to be disclosed in this Item by us.

**Master Franchisor**

**Pending Litigation:**

Alida Mazariegos, Paula Gonzalez, and Jaime Amaya, Plaintiffs, on behalf of themselves and all others similarly situated v. Vanguard Cleaning Systems, Inc.; RR Franchising, Inc., d/b/a Vanguard Cleaning Systems of Southern California and d/b/a Vanguard Cleaning Systems of Northern California; Buddha Capital Corporation, d/b/a Vanguard Cleaning Systems of Sacramento, d/b/a Vanguard Cleaning Systems of the Central Valley, and d/b/a Vanguard Cleaning Systems of the Central Coast; and Wine Country Ventures, Inc., d/b/a Vanguard Cleaning Systems of the North Bay, and DOES 1 through 10, inclusive, (Superior Court of the State of California County of San Mateo, Case No. 20-CIV-04267 (Filed October 1, 2020)).

Alida Mazariegos is a former franchisee of Wine Country Ventures, Inc. (“WCV”). Paula Gonzalez is a franchisee of RR Franchising, Inc. (“RR”). Jaime Amaya originally signed a franchise agreement with a predecessor of Buddha Capital Corporation (“Buddha”), which Buddha later assumed, and Mr. Amaya currently operates his janitorial franchise business under D & J Cleaning, LLC. Plaintiffs filed this action on behalf of themselves and seeking to represent a class of franchisees in California under the theory that they were or are employees of WCV, RR, and Buddha, respectively, as well as master franchisor, Vanguard Cleaning Systems, Inc. (“VCS”). Gonzalez and Mr. Amaya have also filed an initial Private Attorneys General Act (“PAGA”) complaint with the California Labor and Workforce Development Agency on behalf of themselves and other California franchisees. Plaintiffs claim in this action and in the PAGA complaint to have been misclassified as independent contractors in violation of California law. Plaintiffs in this action have made seven wage-based claims, alleging Wage Order violations, Labor Code violations and a violation of the state unfair competition law. They seek class certification, declaratory judgments with respect to the purported violations and the nature of the defendants’ liability, attorneys’ fees and costs, as well as an order for unspecified damages, penalties and restitution of all amounts owed plaintiffs under the Labor Code. Plaintiffs in the PAGA representative action seek enforcement of fourteen alleged Labor Code violations against VCS and all California master franchisees, including Prestige Worldwide, Inc., d/b/a Vanguard Cleaning Systems of the Southern Valley, and an unspecified amount of related penalties, liquidated damages and interest. Each of the named defendants has independently indicated its intention to defend these matters vigorously. Discovery in the matter is ongoing.

### **Concluded Litigation:**

Luiz Tomaz Da Costa, Flavio Melo Filho, Geraldo Dimas Figueiredo and Sebastiao Matos, Dominga Almonte, Laura Abreu, and Rafael Abreu on behalf of themselves and all others similarly situated v. Vanguard Cleaning Systems, Inc., and Ztico, Inc. d/b/a Vanguard Cleaning Systems of Southern New England (Commonwealth of Massachusetts Superior Court, Middlesex County, Docket No. 1581CV04743 (Filed June 26, 2015). A First Amended Class Action Complaint was filed on August 19, 2015.

The plaintiffs are former unit franchisees of Ztico, Inc. (“Ztico”). They filed this action seeking to represent a class of franchisees in Massachusetts and/or Connecticut under the theory that they were employees of Ztico and Vanguard Cleaning Systems, Inc. (“Vanguard”) who had been misclassified as independent contractors in violation of Massachusetts and Connecticut law and other wage-based claims. They sought statutory trebling (in Massachusetts) and doubling (in Connecticut) of damages. Ztico, which was an independently owned and operated Rhode Island-based master franchisee of Vanguard, with regional rights in Massachusetts and Connecticut as well, was dismissed from the lawsuit with prejudice on November 12, 2015 when Ztico reached an independent settlement agreement with the plaintiffs. On September 29, 2017 there was a finding against Vanguard regarding liability for certain test case plaintiffs. Vanguard vigorously defended this action for some time thereafter, and while the court did not make any findings on class-wide liability or certify a class, and while there was no final judgment as to whether Ztico or Vanguard misclassified any franchisee, Vanguard ultimately chose to enter into a settlement agreement as well, which was approved by the court on March 6, 2019. Vanguard agreed in its settlement agreement to pay approximately \$559,450 as payments to the named plaintiffs and any possible class members, in exchange for full releases and other consideration. As part of the settlement, Vanguard paid \$275,550 to plaintiffs’ counsel in legal fees. A stipulation of dismissal was filed with the court on April 2, 2019.

Other than these 2 actions, no litigation is required to be disclosed in this Item about Vanguard or the Region.

### **ITEM 4** **BANKRUPTCY**

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

### **ITEM 5** **INITIAL FEES**

You must pay us a \$5,000 initial franchise fee in full at the time that you sign the Franchise Agreement. The initial franchise fee is non-refundable except in the following instance: You have a right to terminate the Franchise Agreement on written request within 30 days of the Effective Date of the Agreement. In that case, we will return the amount of the initial franchise fee we received from you before the refund date if you sign our then current form general release. The initial franchise fee is otherwise non-refundable.

We offer qualified Veterans of the U.S. Armed Forces a 10% reduction on the initial franchise fee. In addition to meeting our standard franchisee qualifications, you must have received an honorable discharge and must own at least 50% of the franchisee Business Entity. You must advise us of your veteran status and provide evidence satisfactory to us that you meet applicable qualifications before signing any Franchise Agreement.

Additionally, we may in our discretion discount the initial franchise fee to \$3,500 for franchise candidates who are currently conducting commercial cleaning business operations.

We may on occasion be asked to offer a franchise to someone who is relocating to our region and who is an existing franchisee of a Vanguard master franchisee in a different region in the Vanguard Cleaning Systems franchise organization. In those cases, the franchisee will have already received start up assistance from the master franchisee. Under those circumstances we may choose to waive or to offer a discounted initial franchise fee.

The fees described in this Item are uniform as to all new franchisees who receive this offer. We have the right to change the amount of the initial franchise fees in the future, but have no immediate plans to do so.

### **ITEM 6** **OTHER FEES**

The fees described below are paid to us and none are collected on behalf of any third party. The fees listed below are currently uniform as to all new franchisees who receive this offer. However, we may negotiate different rates or fees with other franchisees when we think appropriate and to the extent permitted under applicable law. Additionally, we may permit renewing franchisees to carry forward certain fees/percentages under their expired franchise agreement for the term of their renewal franchise agreement. We also may change the type and amount of fees offered to new or renewing franchisees in the future.

<b>NAME OF FEE (See Note 4.)</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<b>Royalty</b>	10% of your monthly gross revenues.	Deducted on the 28th day of each month from amounts collected from VCS Accounts your VCS Business services. (See Note 1.)	Monthly gross revenues include all amounts due from VCS Accounts your VCS Business services, including any amounts you collect. Balance of amounts we collect remitted to you on the 28th day of each month after deduction of amounts due to us.
<b>Business Support Fee</b>	5% of your monthly gross revenues.	Deducted on the 28 <sup>th</sup> day of each month from amounts collected from VCS Accounts your VCS Business services. (See Note 1.)	See remarks above.

<b>NAME OF FEE (See Note 4.)</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<b>Marketing Fee (Note 2)</b>	<p>The Marketing Fee is established between you and us if an Account is offered and can vary. We may at our option offer an Account (“Additional Business”) on a Multiple Pricing basis, which is with a Marketing Fee calculated as a multiple of first month’s gross Service Billings (currently generally 4 times Service Billings). Alternatively, we may at our option offer an Account on a Shared Revenue basis, with a Marketing Fee calculated as an ongoing percentage of Service Billings (mutually agreed upon split). All Marketing Fees are subject to change by us, and may be negotiated by us on a case by case basis.</p>	<p>The Marketing Fee for accounts accepted on a Multiple Pricing basis is due in full at the time you accept an Additional Business Assignment. Financing may be offered and, if so, payments due are deducted on the 28<sup>th</sup> day of each month from amounts collected from VCS Accounts your VCS Business services. (See Note 1.) (See Item 10 on financing.)</p>	<p>You are not obligated to accept Additional Business if it is offered to you. The Marketing Fee also applies to any increase in existing Account business; however, the fee does not apply to VCS Accounts you solicit and obtain. (See Note 2.) The Fulfillment Period for Additional Business Assignments is 90 days.</p>
<b>Special Services</b>	<p>The fee is usually set as a percentage of the Service Billings for the requested services and is subject to change by us. Currently, it is generally between 10% and 15% of the Service Billings, depending on your role in getting the business. (See Note 3.)</p>	<p>Deducted on the 28th day of each month from amounts collected from VCS Accounts your VCS Business services. (See Note 1.)</p>	<p>Special Services are non-routine services, such as carpet cleaning, floor finishing, etc.</p>

<b>NAME OF FEE (See Note 4.)</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<b>Substitute Services Reimbursement</b>	Expenses we incur in arranging for substitute third party Account servicing to preserve Account good will.	Due on demand and deducted on the 28th day of an applicable month from amounts collected from Accounts your VCS Business services. (See Note 1.)	May be necessary for brand protection if your VCS Business does not meet Account Cleaning Services Agreement requirements or does not arrange in advance for schedule substitutions as needed.
<b>Indemnity</b>	You must hold us and our related parties harmless from claims connected to you and/or your VCS Business; Amount varies with claim and related costs and fees.	Upon demand.	Includes all liability, costs of defense, obligations, damages and expenses.
<b>Insurance</b>	You pay the premium costs of coverage, plus our administrative fee if you participate in general liability, crime, and umbrella liability insurance coverage through us, which together we estimate will not exceed 5%-7% of your gross revenues.	When due to insurance carrier or, if using our group policy, paid to us, with payments deducted on the 28th day of each month from amounts collected by us from Accounts your VCS Business services. (See Note 1.)	Payable if we offer franchisees an opportunity to participate in a group insurance program and you choose to obtain general liability, crime, and umbrella liability insurance coverage through the group. You can buy this insurance through other sources, and it may be less expensive from another source. Your VCS Business insurance must meet our minimum coverage standards. We are not obligated under the Franchise Agreement to offer an insurance program.
<b>Cost of Collection and/or Enforcement</b>	Cost of legal proceedings and other expenses to collect payments from you or to enforce other terms of the Franchise Agreement.	On demand if we prevail.	Includes reasonable attorneys' fees.
<b>Interest</b>	1.5% per month or the highest rate allowable under applicable law, whichever is more.	On demand.	Incurred with late payments.

**Note 1:** VCS Accounts have a contract with the Region. An Account “Assignment” from us means that you have the right and the obligation to meet the services requirements for that Account (See Item 14 of this Disclosure Document for additional information). You authorize us to handle all billings and collection for the VCS Accounts your VCS Business services. We deduct royalties, business support fees, promissory note payments, marketing fees, insurance related charges, substitute services reimbursements, special services fees, and all other amounts you owe us from amounts we collect from Accounts serviced by your VCS Business. We remit the balance to you. We may at our option defer collecting those fees and/or other charges from you for up to 60 days, if VCS Account collections in any month are insufficient to cover all amounts owed. If for any reason you collect any payment directly from a VCS Account, you must report it to us and pay the applicable royalty and business support fees, or we will deduct them from amounts we collect from other VCS Accounts you service. You have the right to discontinue servicing any VCS Account if it does not pay for services rendered by your VCS Business. We will consult with you before discontinuing to invoice a VCS Account and before settling a delinquent Account matter. While we make reasonable efforts to collect amounts billed to Accounts, we do not promise that we will file suit to collect or otherwise be able to collect from any of the Accounts your VCS Business services, so you take the risk of loss if a VCS Account fails to pay its bill. Funds advanced to you in connection with an Uncollected Account can be deducted from amounts we owe you. If you ask us in writing, we will transfer to you our rights in an Uncollected Account serviced by your VCS Business. You must follow the law in trying to collect on the Account and indemnify us if we incur any damages or other liabilities from your collection activity. You are solely responsible for billing and collection activities related to any non-Vanguard Cleaning Systems accounts you may have.

**Note 2:** . You are not required to accept any new account business (“Additional Business”) if we offer you any. If we offer you Additional Business, we can require you to sign an Additional Account Business Agreement, at our option. The current form is attached to this Disclosure Document as Exhibit I, but we can change the form in the future. Additional Business includes increases in Service Billings to existing Accounts. Marketing Fees calculated as a multiple of monthly Service Billings and related Additional Business Assignments generally are subject to refund and replacement terms as described below. If we fail to fulfill a commitment to provide Additional Business Account Service Billings in an agreed upon amount within the 90 day Fulfillment Period, you may request a refund. We must receive your written request for a refund within 10 days after the end of the Fulfillment Period. To calculate the refund amount due, the average monthly Service Billings of the Account(s) offered to you is subtracted from the amount of the actual average monthly Service Billings to determine the difference between the amounts (the “Deficiency”). The refund due is the amount of the Deficiency multiplied by 4, subject to the following limitations: No refund will be more than i) the amount of the Marketing Fee you originally financed or, ii) if no financing was used, the amount that you could have financed under our then current financing policies. We retain any cash down payment or, if applicable, the amount that would have been paid as a down payment under our then current financing policies if you had not paid the Marketing Fee in a lump sum. We can offset any refund due you against any amounts you owe us.

The following replacement provisions do not apply to any Additional Account Business accepted by you that is offered by us on a shared revenue basis, e.g., an Account for which you pay us a non-refundable, monthly percentage share of Gross Service Billings for such Additional Account Business on an ongoing basis, instead of a specific Marketing Fee amount (each a “Shared Revenue Account”).

We have no obligation to replace any Additional Business Account if:

- i) an Assigned Account Cleaning Services Agreement is canceled any time after twelve (12) months from the date that you accept the Account, or

- ii) a customer at any time terminates the Account Cleaning Services Agreement because of concerns regarding your (or your agents'/employees') integrity and/or character, service quality, or a claimed failure to meet Account Cleaning Services Agreement requirements, or
- iii) a customer requests an Assignment to an alternative VCS Business at any time because of concerns regarding your (or your agents'/employees') integrity and/or character, service quality, or a claimed failure to meet Account Cleaning Services Agreement requirements, or
- iv) you are required to discontinue servicing the Account because you (or your Owner/agent/representative) engage in activity that is likely to have a significant adverse impact upon the operation or reputation of your VCS Business, us, the System or the goodwill and image associated with the Marks, or
- v) you choose to discontinue providing the services outlined in the Account Cleaning Services Agreement or request the Account be reassigned, or
- vi) your Franchise Agreement is terminated as a result of your default.

If any Additional Business Account that is not a Shared Revenue Account is cancelled by the customer in the twelve (12) months following the Assignment to you for reasons other than those specified above, we will diligently try to replace the Account within ninety (90) days of the cancellation as follows:

- i) If cancellation occurs within 180 days of the Account Assignment to you, we will offer to Assign to you one or more Accounts with Service Billings equal to those of the lost Account;
- ii) If cancellation occurs within 181 to 365 days of Assignment to you, we will offer to Assign to you one or more Accounts with Service Billings equal to 50% of those of the lost Account.

A "Shared Revenue Account" is not subject to the replacement or refund terms described above. No refund or replacement options are available for a Shared Revenue Account. A Shared Revenue Account is an ongoing payment arrangement and your combined payments may cost you more than if you paid a standard Marketing Fee instead (typically an agreed upon multiple of monthly Service Billings for that Account). The total amount of payments you make with respect to a Shared Revenue Account ultimately will depend on how long your Vanguard Cleaning Systems® Business services that Account and the actual amount of the Account's total Service Billings. We may occasionally offer Additional Business for discounted or no fees to satisfy an Account need or for other business reasons.

**Note 3:** Special Services are VCS Account orders for non-routine VCS Business services, such as carpet cleaning, floor finishing, and initial cleaning. You must notify us of any Special Services orders that you receive from your VCS Accounts. Generally, if you generate the new order and price and sell the job, the current fee to us is 10% of the invoice for the applicable service(s). If you generate the new order, but we price and sell the job, you usually pay us 15% of the invoice for the applicable service(s). In all instances, your VCS Business is responsible for furnishing the equipment, supplies and staffing necessary to complete any Special Services order accepted by you. Special Services fees can vary and are in addition to the continuing royalty and Business Support Services fees we charge on Gross Revenues.

**Note 4:** If we have any fees, taxes, or other assessments imposed on us because of payments you make to us (or which are collected from Accounts that your VCS Business services) then we can require that you pay us an additional amount so that the net amount we actually receive after the deduction, payment or withholding is the full amount of the royalty, fee or other amount we are entitled to be paid under the Franchise Agreement.

None of the fees described in the above table are refundable, except as described in Note 2 in this Item and in Item 5 above. We may pay franchisees a \$500 referral fee or offer equivalent equipment items or additional Service Billings for referred candidates who acquire a franchise, but we can change this policy at any time.



**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>ESTIMATED AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee (See Note 1)	\$5,000	Lump Sum	On Signing of Franchise Agreement	The Region
Equipment and Supplies (See Note 2)	\$0 - \$1,300	As Arranged	As Needed To Operate The Business	Third Parties
Licenses and Permits; Business Entity formation and name registration (See Note 3)	\$100 – \$1,500	Lump Sum	Before Commencing Business	Governmental Agencies
Insurance (See Note 4)	\$200 – \$600	As Arranged; typically monthly	Minimum Required Coverage Must Be Obtained Before Commencing Business	The Region or Insurance Carriers
Real Property/Leases	\$0			(See Note 5)
Additional Funds – 3 months (See Note 6)	\$200 – \$300	As Arranged	As Required	Third Parties
<b>TOTAL</b> (See Note 7)	<b>\$5,500 – \$8,700</b>			

**Note 1:** Refer to Item 5 for instances in which the initial franchise fee may be discounted from the amount provided above.

**Note 2:** You need to ensure that your VCS Business maintains the equipment and products necessary to provide the services specified by the Accounts you accept. Your actual costs will vary depending on the products and equipment you require and the vendor you select.

**Note 3:** You must have all business licenses/permits required under the laws applicable to your VCS Business before operating it. The above range also includes an estimate of costs you may incur in forming a corporation or limited liability company to conduct your VCS Business and in filing a fictitious business name, if required. Professional fees, like legal or accounting fees, are not included in this range, but would be additional expenses and would vary significantly depending on the firms engaged to perform the services and on your particular ownership circumstances.

**Note 4:** You must have insurance coverage meeting our then current minimum coverage/policy requirements, unless you and we agree otherwise. If you don't already have the minimum required coverage when you become a franchisee, then you must purchase it, and the minimum required

coverage can change. As of the date of this Disclosure Document, you must have insurance coverage meeting these minimum coverage requirements: crime insurance coverage of \$1,000,000; commercial general liability coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum required by state law; automobile liability insurance coverage for owned or leased vehicles used in the VCS Business in an amount at least as great as the statutory minimum required under the state in which your VCS Business will operate; and commercial umbrella coverage of \$10,000,000. We and Vanguard Cleaning Systems, Inc. must be named as additional insured on each of the previously named policies. You also must maintain workers' compensation insurance as required under the law of the state in which you will operate your VCS Business. We currently offer you the opportunity to participate in the Vanguard Cleaning Systems group program for commercial liability, umbrella liability and crime insurance coverage and to make monthly payments, which includes costs of coverage and our administrative charges. The estimated range provided is based upon what participants in this group program typically pay us for the described general liability, crime, and umbrella liability insurance coverage (plus our administrative fees), from the time they begin their VCS Business and during the first 90 days of operation. If you have or obtain this coverage through another source, your costs may be different and could be less than our insurance program costs, depending on the carrier you select, your negotiating skills, your policy limits and other variables. The Vanguard Cleaning Systems group program does not offer coverage for the following: Automobile, Medical, Dental, Plan Deductibles, Workers Compensation and any items excluded under the particular group policies. You also have to maintain an unemployment insurance account as required under the laws of the state in which your VCS Business will operate. In all cases, insurance industry rates can change, and you may need to pay more for coverage if they do. An estimated worker's compensation coverage is not included in the range provided. If you are required to have this coverage under local law, then your costs will be higher. Lastly, you also must maintain vehicle liability insurance in the minimum amounts noted. No amount is included for vehicle coverage in the estimated range since most franchisee owners already own their vehicle and are required by law to maintain liability coverage meeting statutory minimums. Therefore, this is an ongoing expense most franchisee owners have before they obtain the franchise.

**Note 5:** Most franchisee owners manage their VCS Business operations from their homes. If you choose to operate your business from leased space, you will incur additional expenses depending on the size of space you select, local rent conditions and other site specific variables.

**Note 6:** Additional funds are the estimated amounts you will need for the expenses of operation during the initial phase of the business, which is the initial 3 months after you begin operating your business as a VCS Business. These expenses will be mainly for transportation (gas and vehicle maintenance) from your business as a VCS Business location to Account locations. This estimate does not include any owner's draw or salary. It also does not include payroll processing fees and employer matching tax contributions and other employment related fees for employers because we do not predict how many employees you may hire to meet Account requirements. Additional funds were estimated on the basis of experience with franchisees' operations and general knowledge of the industry.

**Note 7:** Most franchisee owners have an existing means of transportation sufficient to operate the business, so no vehicle costs are included in the range provided. If you choose to purchase a vehicle specifically for your VCS Business, you will incur additional insurance and vehicle expenses and your costs of doing business will be higher than those reflected in the estimated range provided. Since franchisee owners live within driving distance of the Vanguard Business System Program facilities, the estimated cost range also does not include any travel or lodging expenses in connection with participation in the Vanguard Cleaning Systems Business System Program, should you choose to attend. You may incur some minimal additional commuting expenses, depending on where you live. This range is only an estimate, and we cannot guarantee that the amounts specified will be adequate. You may need additional funds during the first 3 months of initial operation and afterwards. In addition, the estimates presented

relate only to certain costs associated with the franchised business and do not cover any personal, "living," expenses or certain other business expenses you may have, such as royalty payments, support services fees and other amounts paid to us, debt service on any loans or financing arrangements, tax expenses and a variety of other amounts not described in the above charts.

We may offer to finance Additional Business in the future, as described in Item 10. Otherwise, we do not offer, either directly or indirectly, financing to our franchisees for any of the items described in the above chart. All amounts paid to us are nonrefundable, except as described in Items 5 and 6. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

## **ITEM 8**

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

As of the issuance date of this Disclosure Document you are free to purchase products and services from suppliers of your choice. We offer you a list of suppliers of certain products, but you currently are not required to purchase those products or to use those suppliers. Under the Franchise Agreement we can require that you purchase and use in your VCS Business certain products and equipment and use certain suppliers to protect the Vanguard Cleaning Systems reputation and good will and to maintain the uniform quality and Brand Standards associated with the Marks. We may do so in the future.

Other than VCS Account billing and collection services, as described in Item 6 of this Disclosure Document, you currently are not required to purchase or lease any equipment or other goods or services from us, from Vanguard or from our respective affiliates.

As of the date of this Disclosure Document, you can choose to participate in commercial liability, umbrella liability and crime insurance meeting the minimum requirements through a Vanguard Cleaning Systems group coverage program. Vanguard negotiates rates with the applicable carrier(s), and we arrange for coverage through them. Vanguard does not derive revenue from insurance purchases under this program. If you obtain this coverage through us, you pay us the cost of coverage plus an administrative fee (refer to Item 6 of this Disclosure Document). These administrative fees are revenue to us. If you participate in the group coverage program, we may require you to sign our Insurance Request Form/Payment Authorization. A sample of the current form is attached as Exhibit B to this Disclosure Document, but we can change the form periodically. You may be able to buy the minimum required commercial liability, umbrella liability and crime insurance coverage for less than the prices we offer you.

We also make a profit if you buy or rent products or equipment from us. We discontinued selling products and equipment to franchisees in 2020. These items typically were purchased by a Region at wholesale and the Region received a mark-up on their resale to you. In the 2020 fiscal year, the revenue we received from franchisee insurance and sales of equipment to franchisees totaled \$71,163 for a total of 2.8% of our total revenue from all sources, which was \$2,528,225 according to our audited financial statements.

Otherwise, we currently do not derive revenue from any required purchase by or lease to you. Under the Franchise Agreement, we, Vanguard and our/their respective affiliates have the right to make and keep any revenues, mark ups, profits and other economic benefits received in connection with sales of products and services made to you and other franchisees or received from third party suppliers to franchisees.

Owners or officers of the Region or Vanguard may have minority ownership interests in a variety of publicly traded companies. Some of these publicly traded companies or their affiliates could be

approved or designated suppliers to our franchisees. Other than this type of minority ownership and our executive officers' ownership interest in the Region, no officer or owner of the Region or Vanguard has any ownership interest in any of your suppliers, however we reserve the right to offer and sell products or services to you for a fee. We may derive revenue or material consideration, including but not limited to equipment and or products, from approved suppliers.

Purchases or leases which you must make according to franchise specifications total between 1% and 3% of the cost of all purchases or leases to establish the business, and between 8% and 9% of the cost of all purchases and leases to operate the business.

There are no purchasing or distribution cooperatives as of the date of this Disclosure Document. The Region may negotiate discounted rates from certain chemical and equipment supply companies for the benefit of its franchisees, but is not required to do so.

We do not provide material benefits to you (for example, renewal or offering Additional Account Business) based on your purchase of particular products or services or the 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.**

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN THIS DISCLOSURE DOCUMENT</b>
a.	Site Selection and Acquisition/Lease	N/A	Item 11
b.	Pre-Opening Purchases/Leases	Sections 2 and 16	Items 5, 7 and 8
c.	Site Development and Other Pre-Opening Requirements	Section 2	Items 7 and 11
d.	Initial and Ongoing Training	Sections 3 and 5	Items 7 and 11
e.	Opening	Sections 2 and 16	Item 11

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN THIS DISCLOSURE DOCUMENT</b>
f.	Fees	Sections 2, 4, 5, 11, 12, 13, 14, 15, 16, 17, 20, 25, and 32 Section 2 of the Account Cleaning Services Agreement – Assignment and Acceptance Additional Account Assignment and Acceptance forms (FDD Exhibits J-1 and J-2) Insurance Request Form/Payment Authorization (FDD Exhibit B)	Items 5, 6 and 11
g.	Compliance With Standards and Policies/Manual	Sections 2, 6, 7, 8, 10, 12, 16, 17 and Exhibit C Section 4 of the Additional Account Business Agreement	Items 8 and 11
h.	Trademark and Proprietary Information	Section 6	Items 13 and 14
i.	Restrictions On Products/Services Offered	Sections 5, 6, 8 and 12	Items 8 and 16
j.	Warranty and Customer Service Requirements	Sections 8 and 12	Item 6
k.	Territorial Development and Sales Quotas	Section 12	Items 12 and 17
l.	Ongoing Product/Service Purchases	Section 12 Additional Account Business Agreement and Additional Account Assignment and Acceptance (FDD Exhibits I, J-1 and J-2)	Item 6
m.	Maintenance, Appearance and Remodeling Requirements	N/A	N/A
n.	Insurance	Sections 2, 16, and Exhibit C Insurance Request Form/Payment Authorization (FDD Exhibit B)	Items 6, 7 and 8
o.	Advertising	Section 9	Item 11
p.	Indemnification	Sections 5 and 15	Item 6 and 13

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>ITEM IN THIS DISCLOSURE DOCUMENT</b>
q.	Owner's Participation Management/Staffing	Sections 7, 8, 30 and Exhibit C	Item 15
r.	Records/Reports	Section 10	Not Applicable
s.	Inspections/Audits	Section 8	Not Applicable
t.	Transfer	Sections 5, 18 and 21 Franchise Transfer Agreement	Items 6 and 17
u.	Renewal	Section 18 Renewal Addendum to Franchise Agreement	Item 17
v.	Post-Termination Obligations	Sections 6 and 20	Item 17
w.	Non-Competition Covenant	Sections 6 and 20 Section 6 of Franchise Transfer Agreement	Item 17
x.	Dispute Resolution	Sections 31 and 32	Item 17
y.	Personal Guaranty of Owners	Sections 13 and 30 and Exhibit B Section 9 of the Additional Account Business Agreement Section 4 of the Renewal Addendum to Franchise Agreement Section 5 of Franchise Transfer Agreement	Item 15

## **ITEM 10 FINANCING**

If you are offered and accept additional business Assignments with Marketing Fees calculated as a monthly multiple of Service Billings, the Region may offer, in its sole discretion, to finance a portion of the marketing fee. The amount financed and terms of financing are negotiated between you and us, but in most cases payments of the amount financed will be made in equal monthly installments bearing 12% simple interest beginning the first month following the month in which the service on the new Account begins. You may be required to enter into a promissory note like the one that is attached as Exhibit A to the Franchise Agreement, which requires payment of the balance (the amount of which will depend on the Marketing Fee applied). You are responsible for repayment of all amounts due for such an Account under an Account Assignment and Acceptance (Exhibit J-1 of this FDD), regardless of whether you keep the Account or not. However, we may choose to forgive the outstanding balance in circumstances that we think warrant it. Our current policy regarding a promissory note or other payment agreement for Additional Account business is as follows: if an Additional Account requests that a VCS Business other than yours assume the service obligations under the Account Cleaning Services Agreement, we can Assign the Additional Account to another VCS Business. If the applicable Account Cleaning Services Agreement is in effect more than 60 days after the re-assignment and if you are in good standing, we

typically forgive the balance of any then outstanding note amount you owe us in connection with the re-assigned Account.

If you sign a promissory note in connection with an Additional Business Assignment, as described above, you may prepay the balance without penalty. If you default in payment or breach your Franchise Agreement or if certain other events occur like suspension of your business, the entire balance can be declared immediately due and we can terminate your Franchise Agreement and recover from you our costs of collection, including attorneys' fees. The Region requires the individual shareholders, members and other equity owners of the franchisee to personally guarantee the franchisee's obligations and performance under the note. The Region has no practice or present intent to assign or discount the note to a third party, but can do so. In that case, you would lose the ability to raise claims against us as defenses to payment of the note.

Your note payments and any other amounts due to us are deducted each month from the amounts collected from the VCS Accounts that your VCS Business services.

Except for the financing described above, we do not offer direct or indirect financing. The Region does not place financing with anyone, and does not receive any payment for the placement of financing. However, it may choose to do so in the future. All policies and note terms are subject to change or elimination in the future by us.

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

Except as listed below, VCS of SE WI is not required to provide you with any assistance.

### **Pre-Opening Obligations**

1. The Region will make the VCS Business System Program available to new franchisees (not renewing franchisees) for attendance at their option. (Section 3 of Franchise Agreement.)
2. The Region will loan you a copy of the confidential Vanguard Cleaning Systems Manuals for you to use in your VCS Business for as long as you are a franchisee. (Section 6 of Franchise Agreement.)

### **After your VCS Business Has Met Pre-Opening Obligations**

The Region will provide certain accounting, collection and back office support services to your VCS Business in connection with VCS Business Accounts (but not Non-Vanguard Accounts). We must make reasonable efforts to collect on all VCS Business Accounts, although collection cannot be guaranteed and the Region is not required to engage attorneys or to file suit to collect. If we have tried but been unable to collect on a VCS Business Account (an "Uncollected Account") and you give us a written request for the right to collect, we will transfer that right to you. (Section 5 of Franchise Agreement.)

## **Advertising**

You are not required to participate in any advertising program administered by the Region or to pay us or Vanguard any advertising fees. There are no local or regional advertising cooperatives.

You are encouraged to develop new VCS Account business and can use your own advertising materials. All advertising must be in good taste and conform to legal and ethical standards. The Region can require you to first submit samples of advertising and promotional materials intended for any media, including the Internet, to us for advance approval of your use of the Marks. If we do not approve any submitted materials, you must not use them in your VCS Business. (Section 9 of the Franchise Agreement.)

You have to meet the requirements we set for identifying your franchised business and operations as independently owned and operated and to include notices of your independent ownership on prescribed materials, such as business cards, forms and advertising. You cannot use the Marks on the Internet, social media or apps without our prior approval. (Sections 6 and 9 of the Franchise Agreement.)

## **Site Selection and Service Opening**

You are not required to find a site or office to provide your VCS Business services. Your VCS Business services Accounts at their commercial locations to meet the requirements specified in the applicable Account Cleaning Services Agreements. Most franchisee owners prefer to operate their VCS Businesses from their homes. Therefore, the Region provides no assistance or guidelines in site selection.

The typical length of time between signing the Franchise Agreement and beginning VCS Business operations is approximately 6 to 10 weeks. Factors affecting this time period include whether or not you choose to participate in the VCS Business System Program, as well as how long it takes you to get all required business licenses and at least the minimum required insurance coverage.

## **VCS Business System Program and Manuals**

The Region conducts an optional initial program (the “Vanguard Cleaning Systems Business System Program” or “VCS Business System Program”) for you when you purchase your Franchise, if you choose to participate in it. The VCS Business System Program includes information on certain of our System standards (“Brand Standards”) and other information and is designed to promote maintenance of the quality and goodwill associated with the System and the Marks. It also offers guidance to you on new business development and practical, on-site activities designed to demonstrate technical procedures. It lasts up to 15 days and typically is offered to you within 30 days after signing the Franchise Agreement. Classroom portions of the VCS Business System Program are typically conducted at our headquarters and the field portion of the Vanguard Business System Program is typically performed at various commercial locations we select for that purpose. (Section 3 of the Franchise Agreement.)

In addition to the Manuals described below, we may give you supplementary informational materials on various products and other matters pertinent to the VCS Business operation. We may offer you web-based modules, which are in addition to the VCS Business System Program. The modules may be viewed at our regional offices when available at no charge to you. This additional material also is optional as of the date of this Disclosure Document, and you do not have to complete the modules to our satisfaction.

The following table summarizes the content of the VCS Business System Program:



**TRAINING PROGRAM**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF FIELD TRAINING</b>	<b>LOCATION</b>
Beginning Your VCS Franchise	2-4 hours	2-4 hours	Region's offices in Greenfield, WI and/or Account sites and/or other locations we designate.
Fundamental Concepts	2-3 hours	2-4 hours	Region's offices in Greenfield, WI and/or Account sites and/or other locations we designate.
Brand Standards	2-4 hours	2-4 hours	Region's offices in Greenfield, WI and/or Account sites and/or other locations we designate.
Bidding and Selling Basics	2-3 hours	None	Region's offices in Greenfield, WI.

Instructors for the VCS Business System Program will be the Region's personnel and independent contractors. The primary Instructor for the program will be the Region's President, Mr. Daniel W. Schauer. Mr. Schauer has eleven years' experience in the janitorial service/building service care industry. On occasion, he will be assisted by the Region's Field Operations Manager, who will assist with the Field Education, initial account start-up assistance, and customer service techniques.

You will have an opportunity to review the Manuals before you sign the Franchise Agreement. We will loan you a copy of the Manuals for you to use as long as you are a Franchisee. (Section 6 of the Franchise Agreement.) The Manuals are a part of the VCS System and are a compilation of information on various subjects pertinent to your VCS Business. The Manual contents do not control the day to day aspects of your VCS Business; you have that control as an independent business owner. You are free to conduct your VCS Business as you think best, so long as your operations remain consistent with the Franchise Agreement, any required Brand Standards and all applicable codes, laws, regulations, ordinances and other legal requirements.

**ITEM 12**  
**TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. We do not own or control any unit franchises or outlets that provide competitive services to janitorial accounts or any competitive brands, but could do so in the future. We may choose to engage non-Vanguard subcontractors to service Accounts.

The franchise is not granted for a specific location. You will be licensed to conduct your VCS Business within an Area designated in your Franchise Agreement. The Area is usually a designated Standard Metropolitan Statistical Area as derived from U.S. Census Bureau statistics, but could be defined as a city or cities or a county or counties. The Area is not exclusive and the Region may grant other VCS Business franchises in the Area in its sole discretion. We can, and can license others to, operate under the Marks or other brands and sell any product or service in the Area.

You may operate your VCS Business and solicit Vanguard Cleaning Systems Accounts within your Area. Your VCS Business may not offer or provide services under the Marks outside of your Area without our prior consent. You may provide services to accounts outside of your VCS Business (“Non-Vanguard Accounts”) inside and outside of your Area.

Continuation of an Account Assignment is not dependent on the achievement of a certain sales volumes or market penetration. When you accept an Account Assignment from us, you have the right to fulfill the services requirements established by the VCS Account under its Account Cleaning Services Agreement. You can lose that right if the Account Cleaning Services Agreement is cancelled, the Account requests that an alternative VCS Business fulfill the requirements, if you choose to discontinue working with the Account, if your Franchise Agreement is terminated or if you are required to discontinue servicing the Account because you or an owner/agent of yours engages in any activity that we think is likely to harm the operation or reputation of your VCS Business, us, the Vanguard Cleaning Systems System or the goodwill and image associated with the Marks. If you lose an Account as provided above, we can offer the Account Assignment to another VCS Business.

You have no obligation to accept any Additional Business Accounts, if any are offered to you. If any are offered to and accepted by you, you will pay a Marketing Fee. (Refer to Item 6 of this Disclosure Document.)

The Region does not operate or franchise, and has no current plans to operate or franchise, a competitive cleaning service or related business under a different trade name or trademark in your Area. Vanguard does not operate or franchise, and has no current plans to operate or franchise, a competitive cleaning service or related business under a different trade name or trademark in your Area.

## **ITEM 13** **TRADEMARKS**

### **Registrations, Litigation, Infringing Uses**

We are licensed by Vanguard to offer franchises under Vanguard’s principal service marks, which include the words Vanguard Cleaning Systems and the registered logo shown on the cover page of this Disclosure Document (the “Principal Marks”). We also are licensed to use and to sublicense your use of other Vanguard Marks. The following Marks are registered on the Principal Register of the United States Patent and Trademark Office as follows:

<b>Mark</b>	<b>Registration Date</b>	<b>Registration Number</b>	<b>Class</b>
VANGUARD CLEANING SYSTEMS	October 27, 1998; Renewed on October 31, 2018	2200583	37 (as amended 2020)
VANGUARD CLEANING SYSTEMS And Design (logo)	February 8, 2005; Renewed on March 20, 2014	2925071	37
VANGUARD CLEANING SYSTEMS and design (logo)	November 1, 2011	4048280	37 (as amended)

Mark	Registration Date	Registration Number	Class
THE STANDARD OF CLEAN	December 13, 2011	4070385	2020) 35, 37 (as amended 2020)
VANGUARD (word only)	March 26, 2013	4308795	35, 37 (as amended 2019)
VANGUARD CLEANING SYSTEMS and design (logo)	February 25, 2014	4488511	35 (as amended 2020)
VANGUARD CLEANING SYSTEMS & Design (color logo)	July 14, 2015	4772976	35, 37 (as amended 2020)

Vanguard has filed all affidavits that have become due to maintain rights in the Principal Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Principal Marks.

Vanguard has granted us under our master franchise agreement the right to use and subfranchise the Marks to VCS Businesses in our Master Franchisee Territory for a 20 year term with certain renewal rights. Vanguard can terminate our master franchise agreement if we commit an incurable default or fail to cure another breach of the master franchise agreement or any other agreement we have with Vanguard. Under the terms of our master franchise agreement, if the master franchise is terminated or expires without renewal we will lose our right to use and sublicense the Marks and System. If that occurs and Vanguard or another company does not assume your Franchise Agreement, which occurs only at Vanguard's option, you will no longer be authorized to use the Marks and the System and will have to stop doing so. (Refer to Item 17 of this Disclosure Document.)

Other than the master franchise agreement, there are no agreements currently in effect which significantly limit Vanguard's or the Region's rights to use or license the use of the Principal Marks in any manner material to the franchise.

Vanguard and the Region are not aware of any infringing or prior superior uses of the Marks that could materially affect your use of them in this state.

### **Franchisee's Rights and Obligations with Respect to the Marks**

You must use the Marks only in the operation and promotion of the franchised business and in a manner that complies with the Franchise Agreement. You will obtain an assumed name registration if we ask you to do so or if you are legally required to do so. You are not permitted to use the Marks or the System in connection with any Non-Vanguard Accounts, or with any unauthorized products or services,

or in any manner that is not specifically permitted under the Franchise Agreement. You must not use the Marks in your legal Business Entity name.

You may not change or add to the Marks when you use them unless you have received our written permission to do so. You cannot alter or use any other identifying words in connection with the Marks. You must follow the requirements of the Franchise Agreement and Brand Standards in using the Marks. You cannot authorize anyone else to use the Marks.

You must notify us on learning of any alleged trademark infringement by you and involving your use of the Marks. You must also notify us of any use of the Marks by an unauthorized third party. The Region and Vanguard are not obligated to take affirmative action in response to an alleged infringement of the Marks, but Vanguard intends to take whatever action it considers appropriate, if any, and will have the right to control any litigation or settlement of these matters. You have the right to participate at your expense in the defense or settlement of any claim or suit alleging infringement by you, subject to Vanguard's rights.

The Region and Vanguard are not obligated to protect or indemnify you for any damages or costs of defense if you are sued or made a party to any proceeding because of the Marks.

Vanguard reserves the right under the Master Franchise Agreement to modify or cease using its Marks and to adopt new or substitute trade names and Marks, and the Region and you would need to comply with any changes implemented by Vanguard. Your changes would be made at your own expense.

#### **ITEM 14** **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents material to the franchise owned by Vanguard or the Region. Vanguard claims common law copyrights in the Manuals, which are not your property and are loaned to you. All VCS Accounts must have an Account Cleaning Services Agreement with us, including any Accounts you generate through your VCS Business. Under the Franchise Agreement, you are free to operate any businesses outside of your VCS Business and can own any Non-Vanguard Accounts. We have no rights in any Non-Vanguard Accounts.

#### **ITEM 15** **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Your Designated Owner must manage and operate the VCS Business and supervise the performance of services by your employees. You must give us advance notice of a proposed change in Designated Owner. Each VCS Business is an independent contractor and must be conducted as a limited liability company or a corporation. You have to give to us before you begin operating your VCS Business a copy of your articles of incorporation or operating agreement, as applicable, your business license and other related information. We can at our option require you to sign an independent contractor acknowledgement form. The current form is attached to the Franchise Agreement as Exhibit C, but we can change the form in the future.

You are responsible for having a minimum of 1 employee and for maintaining sufficient personnel to staff your VCS Business, for the terms of their employment and compensation, and for providing ongoing crew development to meet VCS Business Brand Standards. You should note that previously we did not require franchisees operating VCS Businesses to be a corporation or a limited

liability company. We may not require them to form a corporation or limited liability company if they renew, at our option.

Each Designated Owner must have an equity interest in the VCS Business. We can require that Owners with a direct or indirect interest in the franchisee and their spouses guarantee the performance of the franchisee under the Franchise Agreement if we ask them to do so. The current form is attached to the Franchise Agreement as Exhibit B, but we can change the form in the future.

You are solely responsible for supervising, managing and controlling the day to day operations of your VCS Business, and you determine the methods and hours necessary to meet Account Cleaning Services Agreement terms and requirements. You are exclusively in charge of scheduling, hiring, firing, disciplining, promoting, compensating, scheduling and managing your VCS Business employees and contractors, the terms of their employment and their compliance with any required Brand Standards and the Account Service Agreement requirements. Brand Standards do not include any security-related policies or personnel policies or procedures. The people you select to work in your VCS business are exclusively your agents and employees. They are not our or Vanguard's agents or employees and neither we nor Vanguard are joint employers of theirs. You also are solely responsible for state, federal and/or local taxes, fees and withholdings of every kind, including business and/or personal self-employment taxes and income taxes; payroll and payroll taxes for VCS Business employees; and social security and other amounts required to be paid or withheld, as well as for worker's compensation insurance as required by law. Neither we nor Vanguard are responsible for any item or expense associated with your VCS Business payroll or for any other compensation or benefits related to your VCS Business employees or independent contractors.

You and your owners must maintain the confidentiality of our Confidential Information during the term of the Franchise Agreement and for 2 years after it ends for any reason, and for an unlimited period of time for trade secrets. Each Franchisee Owner will sign the Franchise Agreement. They and the person signing on behalf of the Franchisee as a Franchisee Representative are parties to the Franchise Agreement.

## **ITEM 16**

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

You and your VCS Business operations must meet any required Brand Standards published in the Manuals or otherwise established because they are essential to the consistent quality and services associated with the Marks and their good will. Brand Standards can be changed from time to time. Your VCS Business can only offer services approved for use under the Marks, which currently include certain commercial janitorial services as specified by the Region. Your VCS Business may not offer or provide any other services without advance consent. For example, if you wish to provide any "Special Services" (non-routine services like carpet cleaning or floor finishing) you must notify us before accepting the order. We can condition acceptance of the order on your satisfying us that your VCS Business can meet any required Brand Standards applicable to the requested service. These procedures are necessary to reinforce the services and quality associated with the Marks.

Your VCS Business may not bid on any account that is being bid on by the Region or solicit any Accounts that are doing business with us or any other VCS Business or that are outside of your Area. Otherwise, you are encouraged to adopt business development strategies that meet your business objectives and to generate VCS Business Accounts. We have resources available to assist you in meeting the business development goals you establish for your VCS Business. You can identify, determine pricing and submit bids for prospective Accounts, subject to our acceptance of the Account and our

formation of an Account Cleaning Services Agreement with the Account. We can decline an Account if we reasonably believe that it is a credit risk and/or one for which your VCS Business is not adequately insured, or which we believe is likely to have a negative impact on the goodwill associated with the Vanguard Cleaning Systems brand. You can only assign a VCS Account to another VCS Business.

You can independently solicit and service janitorial accounts as Non-Vanguard Accounts as long as the Vanguard Cleaning Systems Marks, the System, forms and other materials are not used in or connected with these activities in any manner.

## ITEM 17

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

#### THE FRANCHISE RELATIONSHIP

	PROVISION	SECTION IN AGREEMENT	SUMMARY
a.	Length of Franchise Term	Sections 1 and 18 Section 3 of the Renewal Addendum	5 years from date of Agreement. Renewing franchisees may have a 10 year renewal term based on their expired franchise agreement.
b.	Renewal or extension of the term	Section 18 Section 3 of the Renewal Addendum	Three additional 5-year terms, if renewal conditions met, for new franchisees. Renewing franchisees may not have renewal rights, based on the terms of their expired agreement, subject to applicable law.
c.	Requirements for you to renew or extend	Section 18  Sections 1-9 of the Renewal Addendum	When this term is to expire you will be required at our option to sign a term extension addendum or new form of Franchise Agreement (including any applicable renewal addendum), either of which may include materially different terms and conditions than your original contract. Our current form of renewal addendum is attached as Exhibit G, but we can change the form over time. Additionally, you must not be in default under the franchise agreement or any other agreement with us, give written notice of renewal election 90 to 180 days before agreement expires, pay amounts owed to the Region, and sign a general release of claims against the Region, subject to applicable law. Refer to Ex. H of this Disclosure Document for the current version of General Release, which we can change in the future.

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
d.	Termination by you	Section 19 E.	You may terminate within 30 days of the Effective Date of the Agreement by written request. You sign a general release of claims to receive a refund of any initial franchise fee you paid us, subject to state law. If you terminate after 30 days of the Effective Date, no refund will be due to you. You must comply with post termination rights and duties.
e.	Termination by the Region without cause	Section 21	Your agreement will end if our master franchise is terminated or ends and your agreement is not assigned to another person/Business Entity with rights to use the Marks and System.
f.	Termination by the Region with cause	Section 19	Section 19 provides some grounds for immediate termination; other defaults require prior notice and opportunity to cure the default.  A default under any other agreement or Promissory Note with us is a default under your Franchise Agreement and vice versa.
g.	“Cause” defined defaults – curable	Section 19	Termination if default under Agreement is not cured within the time given after notice, except where immediate termination provisions apply as described in (h) below.

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
h.	“Cause” defined defaults - non-curable	Section 19	Bankruptcy or insolvency; unauthorized assignment; material misrepresentation or omission in the application for the Franchise; failure to pay debts to the Region within 15 days after notice (or such other period as provided in the applicable note or agreement); failure to pay other VCS Business debts within 15 days of due date or any shorter specified cure period, as applicable; criminal conviction or no contest plea to offense material to performance or likely to damage reputation; abandonment of franchise; violation of safety, health, workplace protection law, or other ordinance or regulation and failure to correct the violation within 3 days or shorter required time period; failure to maintain minimum required insurance coverage; failure to stop violating non-solicitation requirements within 5 days after notice; misuse of Marks or proprietary material/information; your or your owner’s or agent’s conduct likely to have significant adverse impact on VCS Business Marks, System and/or us; and failure to cure any other default under Agreement within 30 days from issuance of default notice. Uncured default under other notes or agreements with us. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
i.	Your obligations on termination or nonrenewal	Sections 6 and 20	Cease operating the VCS Business and VCS Business Accounts; stop using Marks, including in web sites, web pages and social media, and de-identify; pay all amounts due the Region, including notes according to their terms; return or destroy Manuals and confidential materials at our option; honor post term non-compete; cease use of the Region trade secrets and Account lists, cancel any fictitious business name license using VCS or all or part of the Marks; pay amounts due to Region and Licensor for costs incurred as a result of your breach of the Agreement. Certain obligations, including indemnification and confidentiality and dispute resolution continue.
j.	Assignment of contract by the Region	Section 21	The Region can assign contract or any note without your consent.



	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
k.	“Transfer” by you – defined	Section 21	Assign, transfer, share or divide any interest in the Franchise Agreement, the Business Entity Franchisee, the VCS Business or the VCS Business assets.
l.	The Region’s approval of transfer by franchisee	Section 21  Unit Franchisee Account Assignment Agreement and Master Franchisee Consent  (Exhibit L of Disclosure Document)	Advance written consent of the Region required.  Your assignment of your rights in an Account to another VCS Business requires our approval
m.	Conditions for the Region approval of transfer	Section 21 Franchise Transfer Agreement	You must be in compliance with Franchise Agreement and all agreements with us; transferee must meet current qualification requirements to the extent we require and be in compliance with all laws, regulations and ordinances governing the operation of a commercial cleaning business; payment of amounts due; at our option, transferee must (1) agree to be bound to your Franchise Agreement for the remainder of the term, or (2) execute the current form of franchise agreement for the remainder of the term of your Agreement or the full term generally granted to new franchisees; execution of consent to transfer (Refer to Exhibit K of this Disclosure Document for current version of Franchise Transfer Agreement, which we can change in the future); execution of general release, to the extent permitted under applicable law; your indemnification and post terms obligations must survive transfer; you may not have a security interest in the Franchise after the transfer without our consent. Terms of the transfer cannot in our estimation jeopardize business viability or system standards. Refer to Ex. H of this Disclosure Document for current version of General Release, which we can change in the future.
n.	The Region’s right of first refusal to acquire your business	Section 23	We have right to match offer.

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
o.	The Region's option to purchase your business	Section 20	We have a right to purchase your business or its assets according to prescribed price formula if agreement is Terminated or expires and to obtain a general release from you, subject to applicable law.
p.	Your death or disability	Section 22	Transfer to third party within 180 days. Subject to all transfer requirements and restrictions.  Until transfer occurs, the VCS Business must be operated by a qualified person approved by us. During interim period we may assign your Accounts to an alternate VCS services provider without you having any right to the revenues received for the services provided if business is not being operated to Brand Standards.
q.	Non-competition covenants during the term of the franchise	Section 6	You may provide janitorial services to accounts outside of the franchised business, which are non-Vanguard accounts, but may not do so using Vanguard's or our name or marks or materials and may not compete against the Region or any other Vanguard business or franchisee for their accounts.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s.	Modification of the agreement	Section 29	Agreement amendments must be written and signed by parties, but we can make changes in the Manuals and Brand Standards. You have to implement any required changes we make.
t.	Integration/merger clauses	Section 29  Section 9 of the Renewal Addendum  Section 9 of the Franchise Transfer Agreement	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
u.	Dispute resolution by arbitration or mediation	Section 32	Except claims that are specifically excluded in Section 32: i) disputes are subject to informal negotiation for a minimum of 30 days; and ii) if not resolved through informal negotiation, the dispute will be resolved by binding arbitration (with limited exceptions). Either party can bring an action in court that can be heard in small claims court. Provision survives termination or expiration of the Franchise Agreement.
v.	Choice of forum	Section 31	The arbitration proceeding will be no more than 45 miles from the geographical area in which your VCS Business performed commercial janitorial services. Please see state specific addendum.  Subject to Section 32, venue for any litigation will be in an appropriate state or federal court with jurisdiction in Milwaukee County, Wisconsin.  Class actions and specified damages waived to the extent permitted under applicable law. Please see state specific addendum.
w.	Choice of Law	Section 31	Wisconsin law applies. Please see state specific addendum, if applicable.

**ITEM 18**  
**PUBLIC FIGURES**

The Region does not use any public figure to promote its 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 possible performance at a particular location or under particular circumstances.

The Region does not furnish or authorize its salespersons to furnish any information about the actual or potential sales, costs, income or profits of a franchise. We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet from us, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by

contacting Mr. Daniel W. Schauer, 4325 S 60<sup>th</sup> Street, Suite 2, Greenfield, WI 53220, 414-763-1777, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

The first set of tables (1-5), below, includes information specific to our Region, called VCS of SE WI, and our unit franchisees. The second set of tables (6-10) includes statistics on all unit franchises within the Vanguard system. Unit franchise data for other regions is provided by and relates to unit franchising activities of master franchisees in other regions.

**Table 1**  
**VCS of SE WI Outlet Summary**  
**For the Fiscal Years of 2018, 2019, and 2020**

<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	2018	30	30	0
	2019	30	30	0
	2020	30	28	-2
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	30	30	0
	2019	30	30	0
	2020	30	28	-2

**Table 2**  
**Transfers of Unit Outlets from Franchisees to New Owners**  
**(other than VCS of SE WI)**  
**For the Fiscal Years of 2018, 2019, and 2020**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>WI - SE</b>	2018	0
	2019	0
	2020	0
<b>Total</b>	2018	0
	2019	0
	2020	0

**Table 3**  
**Status of Franchised Outlets of VCS of SE WI**  
**For Years 2018 To 2020**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations - Other Reasons</b>	<b>Outlets at End of the Year</b>
<b>WI-SE</b>	2018	30	4	1	0	0	3	30
	2019	30	2	2	0	0	0	30
	2020	30	1	2	0	0	1	28
<b>Total</b>	2018	30	4	1	0	0	3	30
	2019	30	2	2	0	0	0	30
	2020	30	1	2	0	0	1	28

**Table 4**  
**Status of Company-Owned Outlets**  
**of VCS of SE WI**  
**For Years 2018 To 2020**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of the Year</b>
<b>WI-SE</b>	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
<b>Total</b>	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

**Table 5**  
**Projected Openings for**  
**VSC of SE WI as of 12/31/20**

<b>State</b>	<b>Franchise Agreements Signed but Outlets Not Opened</b>	<b>Projected New Franchised Outlets in Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Current Fiscal Year</b>
<b>WI- SE Wisconsin</b>	0	4	0
<b>Total</b>	0	4	0

**SYSTEM STATUS SUMMARY**

**Table 6**  
**Systemwide Unit Outlet Summary of All Regions**  
**For the Fiscal Years of 2018, 2019, and 2020**

<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	2018	2,998	2,916	-82
	2019	2,916	2,822	-94
	2020	2,822	2,726	-96
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	2,998	2,916	-82
	2019	2,916	2,822	-94
	2020	2,822	2,726	-96

**Table No. 7**  
**Transfers of Unit Outlets from Franchisees to New Owners (other than their Franchisor)**  
**For the Fiscal Years of 2018, 2019, and 2020**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
AL-Birmingham	2018	0
	2019	0
	2020	0
AR-Ozarks	2018	1
	2019	0
	2020	0
CA-Bakersfield	2018	0
	2019	1
	2020	0
CA-Northern California	2018	2
	2019	2
	2020	7

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
CA-Southern California	2018	1
	2019	2
	2020	3
CA-Sacramento	2018	0
	2019	1
	2020	0
CA-Northbay	2018	0
	2019	1
	2020	0
CA-Stockton	2018	1
	2019	1
	2020	0
CO-Denver	2018	0
	2019	0
	2020	1
DE-Wilmington	2018	0
	2019	1
	2020	0
FL - Jacksonville	2018	1
	2019	0
	2020	2
FL-Miami	2018	0
	2019	0
	2020	0
FL-North Port	2018	1
	2019	0
	2020	2
FL-Orlando	2018	2
	2019	1
	2020	0
FL-Tampa	2018	2
	2019	3
	2020	1
IL-Chicago	2018	3
	2019	0
	2020	1
MD-Baltimore	2018	1
	2019	0
	2020	0
MI – Detroit	2018	0
	2019	1
	2020	0
MN-Minneapolis/ St. Paul	2018	0
	2019	1
	2020	0
NC – Charlotte	2018	0
	2019	1
	2020	0
NC-Triad	2018	0
	2019	2

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2020	0
NJ-Central	2018	0
	2019	0
	2020	1
NJ-Northern	2018	1
	2019	2
	2020	4
NM-Albuquerque	2018	2
	2019	0
	2020	0
NY-Hudson Valley	2018	0
	2019	0
	2020	0
NY-Long Island	2018	0
	2019	0
	2020	1
NY-Rochester	2018	0
	2019	0
	2020	0
OR-Portland	2018	0
	2019	3
	2020	0
PA-Allentown	2018	1
	2019	2
	2020	6
PA-Central	2018	3
	2019	6
	2020	5
PA-Philadelphia	2018	0
	2019	0
	2020	1
TX-Austin	2018	0
	2019	2
	2020	0
TX-Houston	2018	0
	2019	0
	2020	1
TX-San Antonio	2018	1
	2019	0
	2020	1
UT-Salt Lake City	2018	2
	2019	1
	2020	1
VA-Chesapeake	2018	0
	2019	1
	2020	1
VA-Richmond	2018	0
	2019	1
	2020	0



<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
WA-Seattle	2018	0
	2019	4
	2020	0
WA-Spokane/ Kennewick	2018	6
	2019	5
	2020	3
WI-Milwaukee	2018	1
	2019	0
	2020	1
Total	2018	32
	2019	45
	2020	43

**Table No. 8  
Status of Unit Franchised Outlets  
For the Fiscal Years of 2018, 2019 and 2020**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
AL-Birmingham	2018	122	7	0	0	0	4	125
	2019	125	9	0	0	0	6	128
	2020	128	7	0	0	0	10	125
AZ – Phoenix	2018	53	2	2	0	0	2	51
	2019	51	6	0	0	0	9	48
	2020	48	0	6	0	0	0	42
AZ-Tucson	2018	21	3	3	0	0	0	21
	2019	21	4	0	0	0	0	25
	2020	25	1	4	0	0	0	22
AR-Ozarks	2018	44	7	0	0	0	2	49
	2019	49	1	0	0	0	1	49
	2020	49	2	0	0	0	0	51
CA-Bakersfield	2018	41	4	2	0	0	2	41
	2019	41	5	7	0	0	0	39
	2020	39	0	0	0	0	3	36
CA-Northern California	2018	112	0	2	0	0	13	97
	2019	97	0	4	0	0	10	83
	2020	83	0	6	0	0	9	68
CA-Southern California	2018	120	6	3	0	0	13	110
	2019	110	5	9	0	0	7	99
	2020	99	2	7	0	0	11	83
CA-North Bay	2018	43	3	0	0	0	4	42
	2019	42	4	0	0	0	2	44

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
	2020	44	0	0	0	0	0	44
CA-Sacramento	2018	32	2	0	2	0	1	31
	2019	31	1	0	5	0	7	20
	2020	20	0	0	0	0	2	18
CA-Stockton	2018	46	3	0	0	0	3	46
	2019	46	5	0	1	0	8	42
	2020	42	0	0	0	0	0	42
CO-Denver	2018	0	2	0	0	0	0	2
	2019	2	3	0	0	0	0	5
	2020	5	0	0	0	0	0	5
DE-Wilmington	2018	8	0	0	0	0	1	7
	2019	7	4	0	0	0	0	11
	2020	11	0	0	0	0	2	9
FL-Jacksonville	2018	43	10	3	0	0	0	50
	2019	50	4	7	0	0	0	47
	2020	47	4	3	0	0	0	48
FL-Miami	2018	46	7	0	0	0	2	51
	2019	51	2	0	0	0	4	49
	2020	49	2	0	0	0	5	46
FL-North Port	2018	105	2	0	0	0	4	103
	2019	103	5	0	0	0	3	105
	2020	105	0	0	0	0	8	97
FL-Orlando	2018	46	11	0	0	0	13	44
	2019	44	6	0	0	0	6	44
	2020	44	6	0	0	0	6	44
FL-Tampa	2018	95	10	0	0	0	26	79
	2019	79	9	0	0	0	8	80

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
	2020	80	10	0	0	0	8	82
GA-Atlanta	2018	58	12	5	0	0	5	60
	2019	60	5	0	0	0	4	61
	2020	61	8	5	0	0	0	64
IL-Chicago	2018	45	7	1	0	0	6	45
	2019	45	10	0	0	0	4	51
	2020	51	10	0	0	0	4	57
IA-Des Moines	2018	0	0	0	0	0	0	0
	2019	0	3	0	0	0	0	3
	2020	3	3	0	0	0	0	6
KY-Louisville	2018	53	5	4	0	0	13	41
	2019	41	2	0	0	0	5	38
	2020	38	0	0	0	0	2	36
MD-Baltimore	2018	70	5	0	0	0	8	67
	2019	67	7	0	0	0	7	67
	2020	67	9	0	0	0	7	69
MI-Detroit	2018	84	5	2	0	0	8	79
	2019	79	9	0	3	0	13	72
	2020	72	3	0	0	0	5	70
MN-Minneapolis/St. Paul	2018	74	10	5	0	0	5	74
	2019	74	6	0	3	0	5	72
	2020	72	6	6	1	0	3	68
NC-Charlotte	2018	37	2	0	0	0	4	35
	2019	35	1	0	1	0	3	32
	2020	32	2	1	0	0	3	30
NC-Raleigh	2018	81	4	0	0	0	8	77
	2019	77	8	4	0	0	0	81

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
	2020	81	4	7	0	0	0	78
NC-Triad (Greensboro)	2018	40	3	2	0	0	2	39
	2019	39	5	2	0	0	1	41
	2020	41	2	1	0	0	3	39
NE-Omaha	2018	17	2	1	0	0	0	18
	2019	18	3	3	0	0	0	18
	2020	18	2	0	0	0	0	20
NJ-Central	2018	96	2	0	0	0	11	87
	2019	87	3	0	0	0	9	81
	2020	81	5	0	0	0	7	79
NJ-Northern	2018	113	8	4	0	0	0	117
	2019	117	6	7	1	0	0	115
	2020	115	4	3	0	0	0	116
NM-Albuquerque	2018	30	3	3	0	0	0	30
	2019	30	2	2	0	0	0	30
	2020	30	0	0	0	0	0	30
NV-Las Vegas	2018	30	5	4	0	0	0	31
	2019	31	0	1	0	0	0	30
	2020	30	0	0	0	0	0	30
NY-Hudson Valley	2018	24	0	0	0	0	1	23
	2019	23	0	0	1	0	0	22
	2020	22	0	0	1	0	1	20
NY-Long Island	2018	36	4	0	0	0	7	33
	2019	33	1	0	0	0	4	30
	2020	30	0	0	0	0	1	29
NY-Rochester	2018	25	2	0	0	0	0	27

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
	2019	27	0	0	0	0	2	25
	2020	25	1	0	0	0	0	26
OH-Cincinnati	2018	35	7	1	0	0	7	34
	2019	34	2	1	0	0	4	31
	2020	31	2	12	0	0	5	16
OR-Portland	2018	36	2	1	0	0	1	36
	2019	36	2	3	0	0	1	34
	2020	34	2	2	1	0	0	33
PA-Allentown/ Scranton/ Wilkes Barre	2018	106	6	7	0	0	0	105
	2019	105	10	9	0	0	0	106
	2020	106	7	3	0	0	0	110
PA-Central (Harrisburg)	2018	104	11	7	0	0	0	108
	2019	108	14	11	0	0	0	111
	2020	111	4	8	0	0	0	107
PA-Philadelphia	2018	68	7	0	0	0	0	75
	2019	75	6	0	0	0	9	72
	2020	72	2	0	0	0	8	66
TN-Nashville	2018	35	5	0	0	0	3	37
	2019	37	4	0	0	0	2	39
	2020	39	0	0	0	0	2	37
TX-Austin	2018	53	3	4	0	0	0	52
	2019	52	3	0	0	0	1	54
	2020	54	1	2	0	0	1	52
TX-Dallas	2018	73	6	5	0	0	0	74
	2019	74	7	6	0	0	0	75
	2020	75	6	3	0	0	0	78

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations For Other Reasons	Outlets at End of Year
TX-Houston	2018	35	6	1	0	0	1	39
	2019	39	1	0	0	0	4	36
	2020	36	5	0	0	0	2	39
TX-San Antonio	2018	84	4	10	0	0	1	77
	2019	77	2	1	0	0	4	74
	2020	74	4	2	0	0	4	72
UT-Salt Lake City	2018	130	8	5	0	0	8	125
	2019	125	5	8	0	0	15	107
	2020	107	4	4	0	0	1	106
VA-Central Virginia	2018	25	3	0	0	0	3	25
	2019	25	1	0	0	0	2	24
	2020	24	2	0	0	0	1	25
VA-Chesapeake	2018	67	6	0	0	0	7	66
	2019	66	3	0	0	0	7	62
	2020	62	4	0	0	0	7	59
WA-Seattle	2018	112	1	0	2	0	12	99
	2019	99	2	4	0	0	10	87
	2020	87	2	3	0	0	3	83
WA-Spokane/Kennewick	2018	113	3	12	2	0	0	102
	2019	102	3	2	0	0	13	90
	2020	90	6	8	4	0	1	83
WI-Milwaukee	2018	30	4	1	0	0	3	30
	2019	30	5	0	0	0	2	33
	2020	33	1	2	0	0	1	31
<b>UNITED STATES Total</b>	2018	2,998	237	99	6	0	214	2,916
	2019	2,916	214	94	12	0	202	2,822

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations For Other Reasons</b>	<b>Outlets at End of Year</b>
	2020	2,822	145	98	7	0	136	2,726



**Table No. 9  
Status of Company-Owned Unit Outlets  
For Fiscal Years of 2018, 2019, and 2020**

Neither the Region, Vanguard nor any other Master Franchisee has owned or operated a Unit Outlet for the years of 2018, 2019, or 2020.

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of The Year
Total Outlets	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

**Table No. 10  
Projected New Franchised Unit Outlets As of December 31, 2020**

State	Unit Franchise Agreements signed But Outlet Not Opened as of December 31, 2020	Projected New Unit Franchised Outlets in the Next Fiscal Year (2021)	Projected New Company-Owned Outlet In the Next Fiscal Year (2021)
AL-Birmingham	1	3	0
AZ- Phoenix	0	2	0
AZ-Tucson	0	2	0
AR-Ozarks	0	2	0
CA-Bakersfield	0	2	0
CA-Northern California	0	1	0
CA-Southern California	0	0	0
CA-North Bay	0	0	0
CA-Sacramento	0	0	0
CA-Stockton	0	0	0
CO-Denver	0	2	0
DE-Wilmington	0	2	0

<b>State</b>	<b>Unit Franchise Agreements signed But Outlet Not Opened as of December 31, 2020</b>	<b>Projected New Unit Franchised Outlets in the Next Fiscal Year (2021)</b>	<b>Projected New Company-Owned Outlet In the Next Fiscal Year (2021)</b>
FL-Jacksonville	0	4	0
FL-Miami	0	8	0
FL-North Port	1	2	0
FL-Orlando	0	8	0
FL-Tampa	0	12	0
GA-Atlanta	0	6	0
IL-Chicago	1	6	0
IA-Des Moines	0	3	0
KY-Louisville	0	3	0
MD-Baltimore	0	6	0
MI-Detroit	0	0	0
MN-Minneapolis/St. Paul	0	4	0
NC-Charlotte	0	2	0
NC-Raleigh	0	4	0
NC-Triad (Greensboro)	1	4	0
NE-Omaha	0	2	0
NJ-Central	0	5	0
NJ-Northern	0	4	0
NM-Albuquerque	0	3	0
NV-Las Vegas	0	2	0
NY-Hudson Valley	0	2	0
NY-Long Island	0	3	0

State	Unit Franchise Agreements signed But Outlet Not Opened as of December 31, 2020	Projected New Unit Franchised Outlets in the Next Fiscal Year (2021)	Projected New Company-Owned Outlet In the Next Fiscal Year (2021)
NY-Rochester	0	3	0
OH-Cincinnati	0	6	0
OR-Portland	0	3	0
PA-Allentown/Scranton/Wilkes Barre	0	5	0
PA-Central (Harrisburg)	0	6	0
PA-Philadelphia	0	4	0
TN-Nashville	0	2	0
TX-Austin	0	4	0
TX-Dallas	1	6	0
TX-Houston	0	5	0
TX-San Antonio	0	4	0
UT-Salt Lake City	0	5	0
VA-Central Virginia	0	4	0
VA-Chesapeake	0	1	0
WA-Seattle	0	4	0
WA-Spokane/Kennewick	0	6	0
WI-Milwaukee	0	4	0
<b>United States Total</b>	5	181	0

Attached to this Disclosure Document as Exhibit C is a list of all active unit franchisees of our Region as of 12/31/20.

Attached to this Disclosure Document as Exhibit E is a list of all unit franchisees of our Region that have left the Vanguard Cleaning Systems franchise organization in the year ending 12/31/20, or have failed to communicate with us during the 10 week period prior to the date of this Disclosure Document or any applicable filing date.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Region and the Vanguard Cleaning Systems franchise system. 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.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

## **ITEM 21** **FINANCIAL STATEMENTS**

Attached as part of Exhibit D is the audited financial statement of the Region for the period ended December 31, 2020. The Region's fiscal year end is December 31, 2020.

Also included in Exhibit D are the audited financial statements of Vanguard Cleaning Systems, Inc. for the fiscal years ending December 31, 2020, 2019, and 2018. These statements are provided for your information only. Vanguard Cleaning Systems, Inc. does not guaranty the performance of the Region and undertakes no obligations to you.

## **ITEM 22** **CONTRACTS**

The following Exhibits to this Disclosure Document are the contracts we use in offering franchises:

Exhibit A	Franchise Agreement with Exhibits
	Exhibit A – Promissory Note
	Exhibit B – Form of Personal Guaranty
	Exhibit C - Independent Contractor Acknowledgement
Exhibit B	Insurance Request Form/Payment Authorization
Exhibit G	Renewal Addendum to the Franchise Agreement
Exhibit H	General Release of Claims
Exhibit I	Additional Account Business Agreement
Exhibit J-1	Account Assignment and Acceptance (Multiple Pricing Option)

- Exhibit J-2 Account Assignment and Acceptance (Shared Revenue Option)
- Exhibit K Franchise Transfer Agreement
- Exhibit L Unit Franchisee Account Assignment Agreement and Master Franchisee Consent
- Exhibit M Receipt of Franchise Related Documents

**EXHIBIT A**  
**TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

**SandalStone Ventures, Inc.**  
**d/b/a**  
**Vanguard Cleaning Systems of SE Wisconsin**  
**FRANCHISE AGREEMENT**

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Exhibit A – Promissory Note

Exhibit B – Form of Personal Guaranty

Exhibit C – Independent Contractor Acknowledgement



## FRANCHISE AGREEMENT

THIS AGREEMENT is made by and between **SandalStone Ventures Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin** (“Franchisor”) and \_\_\_\_\_ [a corporation] [a limited liability company] with a principal place of business located at \_\_\_\_\_ (hereinafter collectively called “You” or “Franchisee”).

### RECITALS

A. Vanguard Cleaning Systems® franchisees operate independent businesses that provide commercial janitorial services under the “Vanguard Cleaning Systems” brand (each a “VCS Business”).

B. A VCS Business is licensed to use the processes, standards, know-how and other proprietary information (the “System”) for conducting and developing a VCS Business in a manner that preserves the quality and goodwill associated with the Vanguard Cleaning Systems trademarks, service marks, logos, and other identifiers (the “Marks”).

C. Franchisor has been granted a master franchise by Vanguard Cleaning Systems, Inc. (the “Licensor”) to award VCS Business franchises using the System and the Marks. Licensor is not a party to this Agreement or responsible for Franchisee’s or Franchisor’s performance under this Agreement or otherwise.

D. Franchisee applied for a franchise to operate a commercial cleaning business as a VCS Business and to obtain the advantages associated with the System and Franchisor’s support services, and Franchisee’s application has been approved by Franchisor in reliance upon the information Franchisee has provided.

For and in consideration of the performance of each and every one of the promises, covenants, benefits and obligations contained in this Agreement, the parties agree as follows:

### TERMS OF AGREEMENT

#### 1. Grant to Franchisee

A. Franchise Awarded. Franchisor hereby grants to Franchisee a nonexclusive license upon the terms and conditions contained in this Agreement to use the VCS Business System and the Marks in the operation of a VCS Business franchise. Franchisee’s franchise is for a term of five (5) years from the effective date of this Agreement, if not earlier terminated as provided in Sections 19 and 21, below. Franchisee is licensed under this Agreement to operate a commercial janitorial service business that offers to business accounts select commercial cleaning services under the Marks (each a “VCS Account”) only in the following geographic area (the “Area”):

\_\_\_\_\_.

Franchisee’s VCS Business may not offer or provide services to VCS Accounts outside of the Area without Franchisor’s prior consent, although Franchisee may provide services to Non-Vanguard Accounts inside and outside of the Area, as provided in Section 5 D. of this Agreement.

B. No Exclusivity Granted. Franchisee is not granted any exclusivity in the Area, including marketing or customer exclusivity. Franchisee can only solicit and generate VCS Accounts that are physically located in the Area. Each VCS Account involves a commercial cleaning services customer relationship established and maintained under a contract for VCS commercial cleaning services (an “Account Cleaning Services Agreement”). Franchisor has the right to subcontract with others and to license others to operate under the Marks or other brands and to sell any product or service in the Area,

including other VCS Businesses. Franchisor reserves all rights not expressly granted to Franchisee under this Agreement.

## 2. **Franchisee's Initial Franchise Fee and Pre-Operating Commitments**

A. Initial Franchise Fee. Franchisee will pay to Franchisor on or before the effective date of this Agreement an initial franchise fee of \$5,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is due in full and fully earned when paid. The Initial Franchise Fee is non-refundable unless Franchisee exercises its right to terminate this Agreement within thirty (30) days of the effective date of this Agreement, as provided in Section 19 E., below. The effective date of this Agreement is specified on the signature page (the "Effective Date"). Payment of the Initial Franchise Fee enables Franchisee to use the System and the Marks, subject to the terms of this Agreement.

B. Documents and Actions Required. Before Franchisee may begin operating its business as a VCS Business, Franchisee must deliver to Franchisor the items described below.

- i) certificates of insurance or comparable evidence of coverage as provided in Section 16, below, demonstrating that Franchisee has obtained at least the minimum insurance coverage for Franchisee's VCS Business;
- ii) a copy of the Franchisee's current Business License. Franchisee must ensure that a current Business License is on file with Franchisor at all times during the term of this Agreement; and
- iii) a copy of Franchisee's articles of incorporation as filed with the state or Franchisee's operating agreement, as applicable, and the related state-issued entity/file number and federal employer identification number.

## 3. **Franchisor's Pre-Operating Commitments**

### A. VCS Business System Program.

1. Franchisor will make the VCS Business System Program available for a Designated Owner and other owners of Franchisee. The VCS Business System Program is attended at Franchisee's option and includes information on certain VCS System standards and other information. All VCS System standards are collectively, the "Brand Standards." The VCS Business System Program is designed to promote maintenance of the quality and goodwill associated with the System and the Marks, as well as to give guidance to Franchisee on new business development. A "Designated Owner" is a person with an ownership interest in Franchisee and is identified on the signature page of this Agreement.

2. The Business System Program may be delivered at various locations within reasonable proximity to the Area identified in Section 1, above, and Franchisor will use reasonable efforts to accommodate Franchisee's schedule. Franchisee is responsible for any travel, incidental costs, and other expenses that Franchisee Owners may incur in participating in the VCS Business System Program or in any additional programs. A Franchisee Owner is any person with an ownership interest in Franchisee.

## 4. **VCS Accounts**

Franchisee has no obligation to accept or pay for any Additional Business Assignments, if offered by Franchisor. An "Assignment" of an Account under this Agreement grants to Franchisee's VCS Business the right to fulfill the services requirements specified in the applicable Account Cleaning Services Agreement. If Additional Business is offered and accepted by Franchisee, Franchisor can require that the then current form of Additional Account Business Agreement or other Additional Business arrangement acceptable to the parties be signed by Franchisee and Franchisor, as well as an applicable Account Assignment and Acceptance, which will specify the payments due from Franchisee in connection with the Additional Business, as further described in Section 12 A. of this Agreement. (Refer to the Additional Account Business Agreement and Account Assignment and Acceptance forms attached as Exhibits I, J-1 and J-2 of Franchisor's Franchise Disclosure Document).

## 5. Franchisor Services to VCS Businesses

A. Business Support Services for VCS Business Accounts. Franchisor has devoted substantial time, effort and resources to developing and maintaining the capabilities required to deliver the Vanguard Cleaning Systems business System to Franchisees, which includes certain accounting, collection and back office support services (collectively, the “Business Support Services”). Business Support Services allow Franchisees to concentrate on management operations and business development for their VCS Businesses. Therefore, Franchisee gives Franchisor the exclusive right to perform the Business Support Services on Franchisee’s behalf for all of Franchisee’s VCS Business Accounts (each, a “VCS Account”), including those obtained by Franchisee. Non-Vanguard Accounts, which are described in Section 5 D., are excluded from this requirement. VCS Business Accounts secured by Franchisee will be offered an Account Cleaning Services Agreement with Franchisor. Franchisor can reject an Account that Franchisor reasonably believes is an unacceptable credit risk or for which Franchisee’s VCS Business is inadequately insured, or which is likely to have a negative impact on the goodwill associated with the Vanguard Cleaning Systems brand. Franchisor’s rejection of any such an Account as a VCS Account does not in any way limit Franchisee’s ability to contract with the rejected Account as a Non-Vanguard Account, as provided in Section 5 D., below.

### B. Collections and Accounting.

1. Each month, Franchisor makes commercially reasonable efforts to collect amounts owed by Franchisee’s VCS Business Accounts for services provided by Franchisee’s employees or contractors under the applicable Account Cleaning Services Agreement. Franchisor will remit to Franchisee by the 28th of each calendar month (the “Payment Date”) the balance of collected amounts remaining after appropriate deductions are made, including those identified below (collectively, the “Deductions”):

- i) Business Support Services fees described in Section 11;
- ii) Royalty fees described in Section 11;
- iii) Any Promissory Note installments owed in connection with Additional Accounts, equipment purchases or otherwise;
- iv) Any Marketing Fee (or portion thereof) then due, as described in Section 12;
- v) Any amounts due Franchisor for Special Services, as described in Section 12, or for Services Reimbursements incurred by Franchisor under Section 12;
- vi) Any insurance or bond payments and any related administrative charges due, if Franchisee chooses to participate in such coverage through Franchisor; and
- vii) Any other amounts payable to Franchisor.

2. Franchisor may, but is not obligated to, advance Franchisee monies uncollected from one or more VCS Accounts for up to sixty (60) days. Franchisor does not guarantee Franchisee that Accounts will timely pay amounts owed for services performed by Franchisee’s VCS Business. Franchisee can discontinue servicing any VCS Account that fails to pay on time for services provided by Franchisee under the applicable Account Cleaning Services Agreement. Franchisor will consult with Franchisee before discontinuing invoices to any of Franchisee’s VCS Accounts. Franchisor is not required to engage attorneys or collection agencies or to file suit to collect amounts owed by an Account. Franchisor will consult with Franchisee before settling a delinquent Account matter with the Account, which may result in the acceptance of less than the amount owed by the Account. Franchisor can discontinue Account collection activity after expending reasonable efforts. Funds advanced to the Franchisee applicable to such an Account (an “Uncollected Account”) can be deducted by Franchisor from amounts payable to Franchisee. All funds received for Account services performed under an Account Cleaning Services Agreement are subject to the royalty and other Franchisor compensation requirements described in Section 11, below.

3. On written request by Franchisee, Franchisor will transfer to Franchisee the right to collect the outstanding balance on an Uncollected Account. Franchisee agrees to comply with all applicable laws and regulations governing debt collection practices and to indemnify and hold harmless

Franchisor from any costs, expenses, fines, damages, suits or liabilities of any kind or nature arising out of, or in connection with, the transferred rights in the Uncollected Account and/or Franchisee's related acts or failures to act in connection with an Uncollected Account.

C. Account Changes. If an Account accepted by Franchisee's VCS Business requests a change to an alternative VCS Business services provider, or if an Account is dissatisfied and Franchisor reasonably believes that the Vanguard Cleaning Systems' goodwill is jeopardized, then Franchisor can arrange for an alternative VCS Business to handle the services specified under the applicable Account Cleaning Services Agreement. Franchisee shall not be entitled to any replacement of such an Account or to any refund. Franchisee will cooperate in the Account transition and is not entitled to Account payments made for services provided by another VCS Business.

D. Non-Vanguard Accounts. Franchisee can independently own janitorial accounts solicited by Franchisee outside of the VCS Business ("Non-Vanguard accounts"), if the services provided are not connected in any way with the Vanguard Cleaning Systems Marks or System or any Vanguard Cleaning Systems forms or materials. Franchisee is solely responsible for the administration of and billing/collection services for all Non-Vanguard accounts, which accounts are not covered under any insurance or bonding coverage that may be available through Franchisor. Franchisee must not refer to Vanguard Cleaning Systems in dealing with any Non-Vanguard accounts or any other business that Franchisee or any Franchisee Affiliate or Owner may operate separately from the VCS Business. An Affiliate is a company that owns, is owned by or is under common control with another company.

E. Other Support. Franchisor may provide general guidance and suggestions to Franchisee on subjects such as business development, marketing, operational efficiencies, and financial performance if and to the extent and in the manner Franchisor considers appropriate. Franchisor also may offer consulting to Franchisee from time to time to familiarize Franchisee with updated standards and other information relating to the System and intended to promote the uniform quality of services offered under the Marks.

## 6. Vanguard Cleaning Systems Intellectual Property and System Protections

### A. Vanguard Cleaning Systems Marks and System.

1. Franchisee is licensed under this Agreement to use the Vanguard Cleaning Systems Marks and System only for Franchisee's VCS Business and only in a manner that is consistent with Brand Standards. The goodwill and positive public perception associated with the Marks and System are valuable components of the VCS Business Franchise that Franchisee has been awarded. The Marks and System must not be used in connection with Non-Vanguard accounts, or unauthorized products or services, or in any manner not specifically permitted under this Agreement.

2. Franchisee must not add any accompanying words or symbols to the Marks or otherwise alter or display the Marks in any way not approved by Franchisor in advance and in writing. Franchisee will obtain at Franchisee's expense a fictitious or assumed name registration if required under local law or by Franchisor to protect the VCS brand. Franchisee may not use the Marks as part of its legal Business Entity name. A Business Entity is defined as a limited liability company, corporation or other type of legal entity.

3. Franchisee must not authorize or license any other person or entity to use the Marks or System. As a licensee, Franchisee has no right, ownership or interest in or to the Marks/System, Vanguard Cleaning Systems Intellectual Property or the goodwill associated with any of them. For purposes of this Agreement, "Intellectual Property" includes, regardless of the form or medium involved, any Vanguard Cleaning Systems software and data, the Marks, Confidential Information, as described in Section 6 C., below, and all other proprietary, copyrightable and/or trade secret information and materials incorporated into the System. Franchisee agrees not to assert any claim to any goodwill, reputation or ownership of the Marks or other Intellectual Property or to act in conflict with Licensor's rights in the Marks or other Intellectual Property, either during the term of this Agreement or afterwards. Franchisee agrees to provide Franchisor such information as Franchisor may reasonably request to demonstrate Franchisee's compliance

with any data protection and/or cybersecurity requirements Franchisor may establish from time to time. Franchisee and its shareholders and/or members shall not conduct themselves or the VCS Business in any manner that reflects unfavorably upon the goodwill and public image associated with the Marks.

4. Additional or substitute Marks may be incorporated into the System and Marks may be modified or discontinued (collectively “changes”) by Licensor. Uniformity in the use and display of the Marks in connection with VCS Business operations is important to the integrity of the brand and all persons/entities licensed to use it. Franchisee will adopt and comply with the changes at Franchisee’s expense as required.

5. Franchisee must immediately notify Franchisor in writing on learning or receiving notice of any alleged trademark infringement involving Franchisee’s use of the Marks. Franchisor shall take such action as Franchisor deems appropriate, if any. Franchisor and Licensor are not obligated to indemnify or hold Franchisee harmless from any costs, expenses or damages incurred by Franchisee in connection with any trademark infringement proceeding or action arising out of Franchisee’s use of the Marks.

6. Franchisee shall notify Franchisor on learning that any unauthorized third party is or may be using any mark that is the same as or confusingly similar to the Marks. Franchisor, or Licensor, as applicable, have the exclusive right to determine which, if any, action to take with respect to any potential infringement of the Marks.

7. Franchisor and/or Franchisor’s Licensor, as applicable, can defend and settle any claim or suit relating to the Marks using their selected counsel. Franchisee shall cooperate in the defense of such actions at Franchisor’s expense. Franchisee shall have the right to participate at Franchisee’s own expense in the defense or settlement of any claim or suit alleging infringement by Franchisee, subject to Franchisor’s right to control the defense and any settlement. Franchisor and Licensor are not obligated to protect or defend Franchisee for any damages or costs of defense if Franchisee is sued or made a party to any proceeding because of Franchisee’s use of the Marks.

B. Manuals. During the Term of this Agreement, Franchisor will loan Franchisee one copy of the Manuals, which are a component of the VCS System. “Manuals” means the compilation of VCS System information contained in one or more publications on various subjects. Manuals can be communicated to Franchisee in different mediums, including electronic. Franchisee has no right or interest in the Manuals other than a license to use them while this Agreement is in effect. The Manuals do not, nor are they intended to, control day to day operation of Franchisee’s VCS Business. Franchisor and Licensor can make additions, deletions or modifications to the Manuals.

C. Confidential and/or Proprietary Information.

1. “Confidential Information” means information, know how, data, trade secrets and proprietary material relating to the System and VCS Businesses which is not generally known publicly or was not already known by Franchisee/Owner before becoming a VCS Business Franchisee/Owner. It includes Manuals, certification programs and instructional materials; strategic marketing and other business plans, bidding and pricing practices; financial performance data; and VCS Account agreements and related customer information, including statistical and/or financial information and all related lists.

2. Both during the Term of this Agreement and for two (2) years after it expires or is terminated, Franchisee and each Owner must use the Confidential Information only for Franchisee’s VCS Business, keep it confidential, and not make or distribute any unauthorized copies of any Confidential Information or permit others to do so. Franchisee will ensure that its employees and agents treat Confidential Information in the same manner as Franchisee is required to protect it. Franchisee and Owners agree to protect System trade secrets in the manner described in this paragraph both during and after the term of this Agreement, without regard to any time period limitation.

D. Domain Names, E-mail Addresses and Internet Usage. The domain name [www.vanguardcleaning.com](http://www.vanguardcleaning.com) is Licensor’s sole property. Franchisee shall not register or use any domain

name or URL that contains, uses or displays the words “Vanguard Cleaning Systems” or “Vanguard”, or the initials “VCS,” or any Marks, or other related or confusingly similar words or symbols, unless Franchisee first receives Franchisor’s written consent. Franchisee may not use the Marks or any derivation of the Marks on the Internet, or in any electronic advertising or social media, including Facebook, LinkedIn, Twitter, YouTube, or other social media or applications, without Franchisor’s prior written consent.

E. Term of Franchisee’s Use of Intellectual Property. Franchisee’s license to use the Confidential Information, the Marks, the System, the Manuals and other Vanguard Cleaning Systems Intellectual Property and to provide services to VCS Accounts ends when this Agreement is transferred, terminated or expired, whichever occurs first.

F. Accounts and System Protections; Non-solicitation.

1. Franchisor and VCS Businesses share a mutual interest in enhancing Vanguard Cleaning Systems® companies’ competitive advantages and market share. Franchisee acknowledges that the System protections described in this Section 6 F. are essential elements of the bargain between Franchisee and Franchisor, can enhance the value of a VCS Franchise and represent a reasonable balancing of Franchisee’s and Franchisor’s respective interests. Under this Agreement, Franchisee is free to operate businesses outside of and in addition to Franchisee’s VCS Business, while Franchisor can preserve its ownership of VCS Business Accounts and the related Account Cleaning Services Agreements.

2. During the term of this Agreement, Franchisee may solicit and provide janitorial services to Non-Vanguard Accounts independently of the VCS Business, so long as Franchisee and Franchisee Owners and Affiliates do not in their dealings with Non-Vanguard Accounts use or refer to Franchisor, the Marks, Vanguard Cleaning Systems, or any materials or forms provided by or through Franchisor. Franchisee and its Affiliates can identify, solicit and bid on new accounts that are not currently being bid on by Franchisor. However, Franchisee, Franchisee Owners and Franchisee Affiliates shall not independently solicit janitorial business from Accounts that are already doing business with Franchisor or with any VCS Business, or otherwise interfere with the ongoing services provided by other VCS Businesses.

G. Remedies. If Franchisee does not meet any of the requirements of this Section 6 Franchisor’s remedies will include, but not be limited to, the right to obtain injunctive and other equitable relief. If any of the restrictions of this Section are determined to be unenforceable to an extent because of duration, the scope of geographic and/or business coverage or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the Vanguard Cleaning Systems Marks and System, but which is still enforceable.

**7. Nature of the Franchise Relationship; Franchisee’s Independent Business and Related Responsibilities**

A. Franchisee is an Independent Contractor; Legal Compliance.

1. Franchisee is and shall remain a completely independent contractor in business for itself. Franchisee will hold itself out as an independent business in all dealings and communications with Accounts and the public, including suppliers, lessors, government agencies, employees, and contractors.. Franchisee and Franchisor are not, and shall not hold themselves out as, an agent, representative, employee, officer, director, partner, owner or Affiliate of the other. Neither Franchisee nor Franchisor has the authority to bind the other to any agreement or obligation without their written consent. Franchisee’s VCS Business is and shall remain totally separate from any business that Franchisor or Licensor operates. Franchisee acknowledges and agrees that nothing in this Agreement or in the parties’ course of conduct is intended as, or shall be construed to create, state or imply, an employer-employee, co-employer or joint employer relationship, partnership, joint venture, agency or any fiduciary or special relationship between Franchisor and Franchisee, or between Licensor and Franchisee. Franchisee agrees that it and Franchisee Owners are not entitled to participate in Franchisor’s health, medical or similar plans or to receive any health, medical or similar coverage from or through Franchisor under this Agreement, nor are Franchisee’s

employees covered employees under Franchisor's workers' compensation insurance benefit program. Franchisee further acknowledges as an independent business entity that this Agreement will not require Franchisor to carry or provide workers' compensation or reemployment insurance for Franchisee, Franchisee's employees or Franchisee Owners, nor will Franchisor be obligated to provide Franchisee with insurance or protection from liability to any third party that may arise out of your VCS Business operations. Franchisee shall identify the VCS Business and its operations as independently owned and operated and include notices of Franchisee's independent ownership on VCS Business forms, business cards, stationery, advertising, signs and other materials as Franchisor requires. In entering into this Agreement, both Franchisee and Franchisor are relying upon the other to ensure that their respective actions remain consistent with the independent nature of their relationship and that their respective employees and other third parties understand that each is entirely independent of the other. Franchisee has no relationship with Franchisor's or Licensor's employees, and Franchisor and Licensor have no relationship with Franchisee's employees.

2. Franchisee shall remain a corporation or limited liability company, as applicable, in good standing under local law. Franchisee is otherwise free to conduct its independent VCS Business as Franchisee deems best so long as Franchisee's operations remain consistent with this Agreement, any required Brand Standards and all applicable codes, laws, regulations, ordinances and other legal requirements, including to the extent applicable privacy and data security laws pertaining to Account, employee and transactional information, as well as the Fair Labor Standards Act, the Occupational Safety and Health Act, any state wage and hours or workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment-related or employee benefit law or regulation, including without limitation the Employment Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Equal Pay Act and the National Labor Relations Act. Franchisee shall keep current all licenses and permits required by any government agency in connection with the VCS Business. Franchisee agrees to give Franchisor within three (3) days of receipt a copy of any notice from any state, local or other governmental authority alleging a failure to comply and pertaining to Franchisee or Franchisee's VCS Business.

3. Franchisee has sole authority over and shall supervise, manage and control the day to day operations of its VCS Business and determine the methods, hours and details of performance necessary to meet each Account Cleaning Services Agreement terms and requirements. Franchisee is exclusively in charge of hiring and firing, disciplining, promoting, compensating, scheduling, staffing and management of Franchisee's VCS Business employees and contractors, the terms and conditions of their employment and their compliance with any required Brand Standards. Franchisee's employees are solely employees of Franchisee's VCS Business.

4. Throughout the term of this Agreement Franchisee must employ a minimum of 1 employee and maintain sufficient, capable personnel to adequately staff the VCS Business and meet Account Cleaning Services Agreement requirements. As an independent business, Franchisee is solely responsible for Franchisee's VCS Business periodic filings and payments due in connection with all state, federal and/or local taxes, fees and withholdings of every kind, including business and/or personal self-employment taxes and income taxes; payroll and payroll taxes for VCS Business employees; and all social security and other amounts required to be paid or withheld, as well as for worker's compensation insurance as required by law. Neither Franchisor nor Licensor are responsible for any item or expense associated with Franchisee's payroll or for any other compensation or benefits related to Franchisee's employees, independent contractors or Franchisee's VCS Business.

B. Franchisor Not a Commercial Cleaning Service. Franchisee understands and acknowledges that Franchisor is engaged in the business of licensing the System and providing franchise support services to the VCS Businesses to which it has committed. Franchisor's employees do not provide commercial cleaning services.

C. Licensor Unrelated to Franchisee. Franchisee further acknowledges that Vanguard Cleaning Systems, Inc. is not a party to this Agreement, has no relationship with or to Franchisee or

Franchisee's VCS Business and has made no commitments to Franchisee under this Agreement or otherwise. It has licensed the Marks and the System to Franchisor to allow Franchisor to sublicense the same to Franchisee, but does not undertake any obligation to Franchisee of any kind. Franchisee shall ensure that each of Franchisee's agents, employees, Owners, officers, directors, members and representatives fully understands that Vanguard Cleaning Systems, Inc. has no obligation to or relationship with any of them. It is engaged exclusively in the business of licensing the System and providing support services to its master franchisees, like Franchisor. Neither it nor its employees perform commercial cleaning services.

## 8. **VCS Business Activities**

### A. Brand Protections.

1. Franchisee acknowledges that the Vanguard Cleaning Systems brand and image are core benefits of the Vanguard Cleaning Systems franchise network and that, like Franchisee, other Vanguard Cleaning System franchise members join the franchise network to enjoy those benefits. Franchisor and Franchisee agree that the predictability of high quality VCS Business products/services, product/service consistency of performance and similar factors are of key importance to Vanguard Cleaning Systems Accounts and prospective Accounts, to building a positive image and reputation for the Vanguard Cleaning Systems brand and franchise network, and to both individual VCS Business and Franchise network growth. Franchisee and its VCS Business operations must meet any required Brand Standards contained in the Manuals or otherwise because they are essential to the consistent quality and standards associated with Vanguard Cleaning Systems Marks and their related goodwill. Brand Standards do not, nor are they intended to, control day to day operation of Franchisee's VCS Business. Brand Standards do not include security-related policies or personnel policies or procedures, including those relating to hiring, firing, disciplining, promoting, compensating, scheduling and other terms and conditions for Franchisee's employees and contractors, as Franchisee is solely responsible for establishing such policies and procedures. To protect the Vanguard Cleaning Systems reputation, image and goodwill and to maintain uniform quality, Franchisee also agrees to comply with the following terms in conducting its VCS Business:

- i) Franchisee is free to determine which, if any, Account Assignments Franchisee wishes to accept. In accepting an Account Assignment, Franchisee commits to meet the Account Cleaning Services Agreement requirements, as negotiated by the customer, and to follow security procedures established by the Account. Franchisee is solely responsible for the services performed at such Account locations and for the day to day operations of its VCS Business in fulfilling Account commitments until Franchisee's VCS Business no longer provides such services;
- ii) Franchisee agrees to correct promptly deficiencies identified by or through a VCS Account;
- iii) Franchisee shall operate the VCS Business in compliance with all applicable Federal, State and local laws, regulations and ordinances and provide evidence of compliance to Franchisor upon reasonable request;
- iv) Franchisee's VCS Business will offer and provide only services that Franchisor associates with the Marks;
- v) Franchisee is responsible as an independent business for ensuring that Franchisee's VCS Business maintains the equipment and products necessary to provide the services specified by the Account under each Account Cleaning Services Agreement accepted by Franchisee and for providing its employees the guidance necessary to fulfill service commitments and quality standards.

## 9. **VCS Business Marketing and New Business Development**

Franchisee is encouraged to emphasize new business development for the VCS Business and to focus resources on activities that can enhance negotiation, pricing and proposal skill building. Any VCS Business advertising and promotion will be in good taste and conform to ethical and legal standards.



Franchisee's uses of the Marks can impact Franchisor and other VCS Businesses, so Franchisor can require that samples of all advertising and promotional materials for any media used in marketing Franchisee's VCS Business, including on the Internet, be submitted to Franchisor for review of Franchisee's use of the Marks and approval prior to use. Franchisee agrees not to use any materials or programs for its VCS Business disapproved by Franchisor.

#### 10. **Accounts and Record Keeping; Account Summaries**

Franchisee will keep complete books and records for the operation of the VCS Business reflecting income and expense items of the VCS Business and will deliver to Franchisor periodic Service Billings summaries when and in the form Franchisor requests. Books and records for any non-VCS Business activities in which Franchisee or any Franchise Owner or Affiliates engage must be separately maintained from VCS Business records.

#### 11. **Royalties and Business Support Services Fees**

A. **Royalties.** Franchisee agrees to pay Franchisor throughout the term of this Agreement a continuing royalty of ten percent (10%) of Gross Revenues for the use of the System and the Marks, among other Vanguard Cleaning Systems benefits. For purposes of this Agreement, "Gross Revenues" means the total monthly billings for revenues due from all Accounts serviced by Franchisee's VCS Business, regardless of the source for such Account or the manner in which it is obtained (but excluding any Non-Vanguard Account revenue). The royalty is payable monthly based upon the prior month's Gross Revenues and is entirely non-refundable. Gross Revenues includes funds collected by Franchisee's VCS Business, rather than by Franchisor.

B. **Business Support Services Fee.** Franchisee agrees to pay to Franchisor throughout the term of this Agreement a Business Support Services fee of five percent (5%) of Gross Revenues, which is payable monthly based upon the prior month's Gross Revenues for Franchisee's VCS Business and is entirely non-refundable.

#### 12. **Marketing Fees and Other Possible Fees/Payments to Franchisor**

A. **Marketing Fee.** Franchisee will pay Franchisor a fee (a "Marketing Fee") for marketing and related services performed by Franchisor in connection with obtaining any Additional Business that Franchisee chooses to accept from Franchisor. Additional Business includes increases in services billings for Additional Business Accounts after any initial services billings commitments have been met. Franchisee has no obligation to accept or pay for any Additional Business Assignments, if offered by Franchisor. A Marketing Fee is payable in full when Additional Business is accepted, unless Franchisor offers and Franchisee accepts financing terms or other pricing or payment arrangements, such as a shared revenue arrangement (Refer to the Account Assignment and Acceptance forms attached as Exhibits J-1 and J-2 of Franchisor's Franchise Disclosure Document). The amount of a Marketing Fee, availability of financing, pricing method used, as well as any amount financed, the interest rate, the number of installments and other financing terms can vary. No Marketing Fee is due on a VCS Account generated and obtained entirely by Franchisee.

B. **Special Services.** Special Services orders are Account requests for non-routine VCS Business services, such as carpet cleaning, floor finishing, and initial cleaning ("Special Services"). Franchisee must notify Franchisor of any Special Services request from a VCS Account, if the Franchisor has not already been informed of the request by the VCS Account. Franchisor can condition the acceptance of any such order on Franchisee's demonstration of the capabilities necessary to meet any Brand Standard requirements applicable to the particular request. Franchisor can charge an additional fee for each Special Services Assignment accepted by Franchisee. The Special Services fee generally is established as a percentage of the Service Billings associated with the Special Services and is in addition to the Business Support Services and royalty fees. The generally applicable percentage is subject to adjustment by Franchisor and may vary depending upon the source for the order, among other factors. In all instances, Franchisee will be informed of the applicable Special Services fee before any acceptance by Franchisee.

Franchisee's VCS Business is responsible for furnishing the equipment, supplies and staffing necessary to complete any Special Services request that Franchisee accepts. Franchisee agrees that, i) if Franchisee wishes to provide Special Services to a VCS Account, Franchisee must pay the applicable Special Services Fee, and may need to purchase additional equipment and supplies at Franchisee's expense; and ii) if Franchisee is not qualified in Franchisor's judgment to satisfy any Special Services order, the order may be fulfilled by a separate VCS Business, without payment or obligation to Franchisee.

C. Substituted Services Reimbursement. Account dissatisfaction with Franchisee's VCS Business services negatively impacts Franchisor, other VCS Businesses and the goodwill associated with the Marks and System. Franchisee's VCS Business must meet required Vanguard Cleaning Systems Brand Standards. Franchisee agrees to reimburse Franchisor for expenses incurred when Franchisee fails to meet Account Cleaning Services Agreement requirements and Franchisor arranges for a third party to meet such Account needs to preserve the goodwill associated with the Marks. Franchisee acknowledges that a failure to meet Account Cleaning Service Agreement requirements or to arrange schedule substitutions in advance for a VCS Business Account is a material breach of this Agreement and damaging to the Vanguard Cleaning Systems image and reputation.

D. Other Payments. Franchisor, Licensor, and their respective Affiliates can receive and keep rebates, incentive payments, discounts and other economic benefits from any supplier. Each of them also can earn and keep revenues, mark ups, profits and other economic benefits they will realize in connection with sales of products/services to VCS Businesses or otherwise.

### 13. **Franchisee Payments and Franchisee Owners Guaranty**

Franchisee will pay Franchisor all costs Franchisor incurs in collection of late payments from Franchisee, including reasonable attorneys' fees and other legal expenses. All current and future Franchisee Owners must personally guarantee Franchisee's performance under this Agreement and any Promissory Notes or other agreements between Franchisee and Franchisor relating to Franchisee's VCS Business by signing an Owner's Guaranty in the form then requested by Franchisor. Franchisor's current form of Owner's Guaranty is attached to this Agreement as Exhibit B, but Franchisor can change the form from time to time.

### 14. **Franchisor's Right of Offset**

Franchisor has the right to withhold from revenues received from Franchisee's VCS Business Accounts any amounts due from Franchisee to Franchisor under this Agreement, any Promissory Note or any other agreement between Franchisor and Franchisee. Franchisor can apply any amounts otherwise owed to Franchisee to any past due, current, or future Franchisee debt of any kind as Franchisor chooses and can set off any amount owed by Franchisor to Franchisee against any amounts owed by Franchisee to Franchisor.

### 15. **Indemnity**

Franchisee will defend with counsel of Franchisor's choosing, indemnify, reimburse, and hold Franchisor, Licensor and each of their respective Affiliates, agents, officers, members, managers, shareholders, directors, employees and representatives (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related legal costs and expenses), governmental/administrative actions or proceedings and any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any Franchisee breach of this Agreement, the ownership or operation of Franchisee's VCS Business, or any act, error and/or omission by Franchisee and/or any Franchisee Affiliates, agents, officers, members, managers, shareholders, directors, employees or representatives. Franchisor will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as Franchisor considers appropriate, without affecting Franchisor's or the Indemnified Parties' rights under this indemnity. Franchisee acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind

in which one or more Indemnified Parties is/are named or involved and which also involves this Agreement and/or Franchisee's VCS Business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. Franchisee further acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, expressly applies to claims from persons employed by or providing services to Franchisee involving allegations of a violation of the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and regardless of the basis of alleged liability, whether joint employer, ostensible agency, vicarious liability or otherwise. All amounts payable by Franchisee under this Section 15 are due upon demand. Franchisee is entitled to appoint separate independent counsel to represent Franchisee's interests in such suits, proceedings, or claims, all at Franchisee's expense. Franchisee's obligations under this Section 15 survive the transfer, termination or expiration of this Agreement, except that Franchisee shall not be responsible to indemnify any Indemnified Parties for costs, expenses or other liabilities incurred by any such Indemnified Parties solely as a result of such Indemnified Parties' intentional misconduct or material breach of this Agreement.

## 16. Insurance and Related Policy Considerations

A. Franchisee Responsible for VCS Business. Franchisee is responsible for any losses, damage to property, and injuries to persons arising out of or connected with Franchisee's VCS Business or Franchisee Owners, officers, directors, members, employees, contractors, agents and/or representatives, including any claimed damages for breach of security, and Franchisor and Licensor have no liability for the same.

### B. VCS Business Insurance Requirements.

1. Before beginning operation of the VCS Business Franchisee must have insurance coverage of the types and in the amounts then required by Franchisor as a minimum. Liability policies and crime insurance must name Franchisor and Licensor as additional insured to the extent permitted under law. Such insurance will be primary and non-contributory with respect to any insurance carried by Franchisor. Franchisor and Licensor shall receive at least thirty (30) days prior written notice of any amendment to or cancellation of a required policy. Minimum coverage requirements and policy amounts can be adjusted by Franchisor from time to time based on Franchisor's evaluation of risk factors and other matters pertinent to a VCS Business and/or the System. Minimum insurance requirements as of the Effective Date of this Agreement include the following, are subject to change, and are in addition to any requirements imposed on Franchisee under law or any applicable lease:

- i) comprehensive commercial general liability insurance on an occurrence basis against claims for bodily and personal injury, death and property damage, with a minimum liability limit of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum limit required under state law, and commercial umbrella liability insurance coverage of \$10,000,000;
- ii) workers' compensation insurance as required under the law of the state in which Franchisee's VCS Business will operate;
- iii) automobile liability insurance for owned or leased vehicles used in the VCS Business, with coverage at least as great as the statutory minimum required under the law of the state in which Franchisee's VCS Business will operate;
- iv) crime insurance coverage in an amount not less than \$1,000,000; and
- v) an unemployment insurance account as required under the law of the state in which Franchisee's VCS Business will operate.

2. Franchisee will give Franchisor certificates of such required coverage before beginning the VCS Business, annually upon the renewal of each policy and upon request from Franchisor. Commercial liability insurance coverage and crime insurance may be available through a Franchisor program. Franchisor is not required to maintain such a program, and Franchisee can elect to buy coverage with carriers of Franchisee's choosing as long as the selected carriers meet then current Franchisor System

standards. If Franchisor offers Franchisee an opportunity to participate in any group insurance program available to VCS Businesses and Franchisee chooses to purchase coverage through the group, Franchisor will charge Franchisee Franchisor's cost for the coverage, as well as the then current administrative fee, which is subject to change by Franchisor. All such payments are non-refundable and payable monthly. If Franchisee elects to participate in any available group insurance plan, Franchisor may require Franchisee to sign the then current Insurance Request Form/Payment Authorization.

3. If Franchisee fails to purchase or maintain required policies and limits or to provide proof of insurance on request, then Franchisor has the right, but not the obligation, to obtain such coverage and Franchisee must reimburse Franchisor upon demand. A failure to maintain required insurance is a material breach of this Agreement.

4. Franchisee will follow the risk management policies and requirements established by Franchisee's carriers, as well as by any Accounts accepted for Franchisee's VCS Business, including, but not limited to drug and alcohol policies, background checks and injury or claim reporting requirements. Franchisee hereby acknowledges and agrees that Franchisor may, from time to time at Franchisor's sole discretion, obtain background checks on Franchisee, and Franchisee's principals and employees for any legitimate business reason, and Franchisee, on behalf of itself and its employees and principals, expressly consents to this practice and any background check made under it.

C. Franchisee's Other Businesses. All Non-Vanguard Accounts business and operations must be separately insured by Franchisee under independent, Non-Vanguard policies.

#### 17. **Franchisee to Pay All Taxes and Comply with Notice Requirements**

Franchisee agrees to pay all personal property, sales, excise, use, payroll taxes and other taxes, fees and assessments, regardless of type or nature, which may be imposed, levied, assessed or charged on or against, or in connection with, any service sold or furnished or business conducted under this Agreement, whether imposed by any state, municipality, county or other governmental unit or agency. If any payment from Franchisee to Franchisor is subject to any taxes, fees or other assessments, regardless of type or nature, imposed on or required to be collected from or paid by Franchisor, then Franchisor can require Franchisee to pay Franchisor an additional amount, so that the amount of the payment actually received by Franchisor after such deduction, payment or withholding is equal to the full amount due from Franchisee under this Agreement. For purposes of this Section, "payments from Franchisee," also includes payments collected by Franchisor as part of its Business Support Services commitment to Franchisee in connection with Franchisee's VCS Business Accounts. Additionally, if Franchisee is required under law to withhold amounts from any payments to Franchisor, then Franchisee must timely pay the appropriate authorities all withholding and/or other such taxes/amounts due and give proof of payment to Franchisor within five (5) days of the date made. Franchisee also will take such other steps as may be reasonably necessary to enable the Franchisor to obtain any available tax credit.

#### 18. **Term of Agreement and Renewal**

A. Renewal. This Agreement shall be in effect for a period of five (5) years from the Effective Date of this Agreement, unless sooner terminated under Section 19, below, or in connection with a transfer of Franchisee's VCS Business. Franchisee may renew the franchise for Franchisee's VCS Business for one consecutive five (5) year term, if:

- i) Franchisee is not in default under this Agreement or any other agreement between Franchisee and Franchisor at the time of renewal;
- ii) Franchisee gives Franchisor written notice of Franchisee's decision to renew at least 90 days before, but not earlier than 180 days before, the expiration of this Agreement;
- iii) Franchisee has paid in full all amounts owed to Franchisor at the time of renewal;
- iv) Franchisee timely signs, at Franchisor's sole option, either a renewal term extension addendum or the form of franchise agreement and ancillary documents then used by Franchisor for renewing franchisees, which agreements can be materially different from this Agreement; and

v) Franchisee and all Franchisee Owners sign a general release in a form satisfactory to Franchisor of any claims against Franchisor, Licensor and/or their respective Affiliates, and the Owners, officers, directors, managers, employees and representatives of each of them, subject to applicable law.

Franchisee may renew the franchise for two additional five (5) year terms thereafter if Franchisee meets the conditions for renewal in effect at the time of the expiration of the applicable term.

## 19. Termination

A. Causes for Termination by Franchisor. If any of the following events occurs, this Agreement can be terminated by Franchisor in its discretion with written notice to Franchisee and without any further opportunity to cure.

i) If Franchisee becomes insolvent or is adjudicated bankrupt, or if Franchisee's VCS Business comes into the possession or control of any trustee in bankruptcy, or if a receiver is appointed for Franchisee, or if a general assignment for the benefit of creditors is made;

ii) If without Franchisor's advance written consent and as otherwise required under this Agreement, Franchisee surrenders or transfers control of the VCS Business or makes or attempts to make a direct or indirect transfer of the Franchise or an ownership interest in Franchisee or in the assets of the VCS Business (other than in the ordinary course of business), or a transfer is not completed as required under this Agreement upon the death or incapacity of Franchisee or a Franchisee Owner;

iii) If Franchisee has made any material misrepresentation or omission in the application for the Franchise;

iv) If Franchisee or a Franchisee Owner infringes upon or uses the Marks, any Confidential Information or any other Intellectual Property in a manner not authorized under this Agreement;

v) If Franchisee or a Franchisee Owner is or has been convicted of any crime or has pleaded no contest to any criminal charge that is relevant to the operation of the VCS Business or to Franchisee's reputation, or that is likely to prevent Franchisee from securing the bonding or insurance required under this Agreement;

vi) If Franchisee abandons the franchise, which will be considered to have occurred if Franchisee voluntarily elects to discontinue servicing all of Franchisee's VCS Business Accounts, or fails to service Franchisee's VCS Business Accounts according to their Account schedules and to communicate with Franchisor or an Account for more than seven (7) consecutive days without first having provided notice and arranged for substitute services acceptable to the Account, as applicable;

vii) If Franchisee violates any safety, health or workplace protection law, ordinance or regulation or operates or provides services under the VCS Business in a manner that creates, or threatens to present, a significant safety or health hazard and fails to correct such conduct within three (3) days of notice from Franchisor or the applicable governmental agency (or within such shorter period as is required under law/regulation);

viii) If Franchisee fails to maintain the insurance coverage required under this Agreement;

ix) If Franchisee defaults on any payments due Franchisor under this Agreement or any Promissory Note or other agreement with Franchisor and does not make full payment within 15 days of the issuance of a default notice by Franchisor (or within such period as may be specified under such Promissory Note or other agreement);

x) If Franchisee, or any Franchisee Owner, fails to comply with Section 6 F. 2. of this Agreement and to cease the breaching conduct within five (5) days from issuance of a written default notice by Franchisor;

xi) If Franchisee defaults in the payment of any undisputed VCS Business debts, including those to employees or suppliers or taxing authorities, and does not cure the nonpayment within a period of fifteen (15) days after the due date or within such shorter period as may be required by the applicable creditor or under law; and

xii) If Franchisee commits any other default under this Agreement and does not correct the default within thirty (30) days from issuance of a written default notice by Franchisor.

B. Termination or Account Re-Assignment. If Franchisee (or Franchisee's Owner/agent/representative) engages or is involved in any activity that is likely to have a significant adverse impact upon the operation or reputation of Franchisee's VCS Business, the Franchisor, the Vanguard Cleaning Systems System or the goodwill and image associated with the Marks, or if Franchisee (or any Franchisee Owner/agent/representative) fails to pass any criminal background check and/or drug, chemical or physical testing required by an Account serviced by Franchisee's VCS Business, Franchisor has the unrestricted right to choose to terminate this Agreement upon issuance of written notice to Franchisee and without further opportunity to cure or to require that Franchisee discontinue providing services under one or more Account Cleaning Services Agreements, which may be assigned by Franchisor in its discretion to an alternative VCS Business. Whenever a VCS Account is assigned to another VCS Business or terminated Franchisee will cooperate in the transition.

C. Cross Defaults. Franchisee's default under this Agreement is a default under any other agreement or Promissory Note between Franchisee and Franchisor or any Owner and Franchisor (the "Other Agreements"). Franchisee's default under any Other Agreements is a default under this Agreement. An election not to enforce any such default is not a waiver by Franchisor of any rights or remedies available under law or equity or by contract.

D. Franchisor's Remedies Available. Franchisor's exercise of any rights under this Section 19 does not limit or diminish Franchisor's right to seek payment for all fees payable and other amounts due under this Agreement, any Promissory Note or any other agreement with Franchisee or Owners or any other remedies available under law or in equity.

E. Franchisee's Right to Terminate. Franchisee shall have a right to terminate this Agreement without cause exercisable within thirty (30) days of the Effective Date of this Agreement (the "Franchisee Termination Period"). Franchisee shall exercise the right by delivering to Franchisor a written request to terminate this Agreement within the Franchisee Termination Period. If Franchisee gives Franchisor and related parties a signed general release of claims in a form prescribed by Franchisor, subject to any applicable franchise laws or other state limitations, Franchisor shall refund to Franchisee within thirty (30) days of Franchisor's receipt of such a release of claims the amount of the Initial Franchise Fee actually received from Franchisee prior to the refund date. If this Agreement is terminated as provided in this Section 19 E., Franchisee's right to use the Marks and System and to operate as a VCS Business franchisee shall be ended and without further effect. Franchisee shall be required to comply with Franchisee's rights and duties on termination, as provided in Section 20, below.

## 20. **Rights and Duties on Expiration or Termination**

A. On Termination or Expiration of the Franchise. The following terms apply if this Agreement is terminated or expires and survive such termination or expiration:

i) Franchisee shall immediately cease operating the VCS Business and servicing VCS Accounts and shall not afterwards, directly or indirectly, represent to the public or hold itself/himself/herself out as a present or former VCS Business franchisee. Franchisee may sell and assign its VCS Business Accounts to another VCS Business franchisee subject to Franchisor's consent, as provided in Section 21 C. below, prior to the expiration or termination of this Franchise Agreement;

ii) Franchisee shall immediately and permanently cease using a) any Confidential Information or other Intellectual Property; b) the Marks and any distinctive forms, uniforms, slogans, signs, and logos associated with the Marks or System; c) all advertising/promotional materials, stationery, forms, signage and other branded items, and any other article displaying any of the Marks; and d) any products or services proprietary to the Franchisor;

iii) Within thirty (30) days of termination/expiration of the Franchise Agreement, Franchisee shall take such action as may be necessary to cancel or transfer to Franchisor or Franchisor's

designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name Vanguard, Vanguard Cleaning Systems, VCS or any of the Marks or any derivative of any of them. Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within ten (10) days after termination or expiration of this Agreement;

iv) Franchisee shall pay to Franchisor and Licensor, as applicable, on demand, all damages, costs and expenses, including reasonable attorneys' fees and collection costs, incurred as a result of Franchisee's (or any Owner's) breach of any term of this Agreement, including this Section 20;

v) Franchisee shall immediately discontinue any use of, and shall return or destroy at Franchisor's option, the Manuals and all Account lists and data, promotional materials and items bearing the Marks, and form agreements/templates;

vi) Franchisor shall have the right (but not the obligation) exercisable within thirty (30) days after termination or expiration of the Franchise Agreement and upon written notice to Franchisee to either a) purchase for cash any or all assets of the VCS Business, at Franchisee's cost or fair market value, whichever is less and as reasonably determined by Franchisor, or b) purchase Franchisee's VCS Business. The purchase price for Franchisee's VCS Business will be an amount equal to four (4) times the monthly Account volume of Franchisee's VCS Business as measured by the last full month of operation prior to the date of expiration or termination. Franchisor shall have the right to set off all amounts due from Franchisee to Franchisor against any payment to be made under this Section or otherwise and to condition a purchase under this Section upon the receipt of a general release of claims from Franchisee and Franchisee Owners;

vii) Franchisee and its Owners shall comply with the covenants contained in Section 6 F. of this Agreement to the fullest extent permitted by law;

viii) All obligations of Franchisor and Franchisee that expressly or by their nature survive the expiration, transfer or termination of this Agreement shall continue in full force and effect until these obligations are satisfied or by their nature expire; and

ix) Franchisee shall pay Franchisor on or before the date of termination/expiration of the Franchise Agreement all monies due Franchisor under this Agreement, any other agreement with Franchisor and any Promissory Note or otherwise. Amounts due Franchisor under any Promissory Note shall be payable according to the terms of the note.

B. Costs of Enforcement. Franchisee agrees to pay to Franchisor upon demand all damages, costs, expenses, including costs of collection and reasonable attorneys' fees, incurred by Franchisor in enforcing these post-termination/expiration/transfer provisions.

C. Internet and Other Media. When this Agreement is transferred or terminates or expires, Franchisee will stop all use of the Marks in all media, including, but not limited to, web-sites, web pages and social media. Franchisee will instruct in writing all online directories, search engines, and other advertising publishers as necessary to take down and remove any directory listings and advertisements for Franchisee containing the Marks. Franchisee agrees that electronic commerce is a rapidly developing field and additional/modified Brand Standards can be established concerning use of the Internet and electronic media and Franchisee will follow them, as required.

## 21. **Transfers**

A. Transfer by Franchisor. Franchisor has an unrestricted right to transfer this Agreement, and any or all of Franchisor's rights and/or obligations under it, in whole or in part, without Franchisee's consent. Franchisee acknowledges and agrees that Franchisor may be sold and/or sell any or all of Franchisor's VCS master franchise rights with respect to the Marks, other Intellectual Property or the System and/or other assets, and go public, merge, or acquire other entities, whether or not competitive to Franchisee or Franchisor, without Franchisee's consent. Franchisor also may transfer or assign, independently or in conjunction with this Agreement, any promissory note made by Franchisee and payable to Franchisor without Franchisee's consent. If during the term of this Agreement Franchisor is no longer authorized by Licensor to grant and support Vanguard Cleaning System franchises and this Agreement is not assumed by another person/Business Entity authorized to use the Marks, then this Agreement will

terminate automatically. Franchisee must cease to use the Marks and other Vanguard Intellectual Property immediately upon such a termination.

B. Transfer by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee and its Owners. Franchisor has awarded the Franchise relying on the individual integrity, ability, experience and financial resources of Franchisee and such Owners. Therefore, this Agreement, the Franchisee and Franchisee's VCS Business (and any interest in, or the assets of, any of them) can only be transferred with Franchisor's prior written approval. Any transfer, or attempted transfer, of any interest in, or the assets of, the Franchise, the Franchisee, the VCS Business, or this Agreement without Franchisor's advance written approval is without force or effect. A transfer of ownership, possession or control of Franchisee's VCS Business, or of the VCS Business assets, can only be made with a transfer of the Franchise, unless Franchisor consents otherwise in writing or as provided in Section 21 C., below. Section 22 applies to any transfer resulting from a controlling Owner's death or disability. For purposes of this Agreement, the term "transfer" includes any voluntary or involuntary ownership assignment, sale, gift, pledge or any grant of any security or other interest (whether partial or whole, or direct or indirect), by Franchisee or a Franchisee Owner. A transfer includes any sale or transfer of stock or of any partnership or member interest in Franchisee, including by operation of law, and any transfer of any interest in revenues, profits or assets of the VCS Business not made in the ordinary course of the VCS Business.

C. VCS Account Assignments. Franchisee occasionally may wish to assign a VCS Account to another VCS Business or to accept an assignment of a VCS Account from another VCS Business. Franchisee agrees to follow Franchisor's then current policies and procedures applicable to such an assignment, which shall include Franchisor's prior written consent, but which consent shall not be unreasonably withheld. It is not unreasonable for Franchisor to require that outstanding payment obligations owed Franchisor under any promissory note or other agreement made by the transferor franchisee in connection with the assigned Account be assumed by the franchisee taking the Account. Franchisee shall not assign or attempt to assign a VCS Account to any person or entity that is not a VCS Business.

D. Transfer Conditions.

1. Franchisor has the right to require that some or all of the following conditions be met on all transfers:

- i) Franchisee must be in compliance with this Agreement and any agreements between Franchisee and Franchisor;
- ii) the transferee and its Owners must meet Franchisor's then current requirements for applying franchisees, to the extent required by Franchisor, and be in compliance with all laws, regulations and ordinances governing the operation of a commercial cleaning business;
- iii) Franchisee must have paid and satisfied all of Franchisee's outstanding obligations to Franchisor and other VCS Business creditors;
- iv) the transferee must, at Franchisor's option, a) agree to be bound by all the terms and conditions of this Agreement for the remainder of the term, or b) execute Franchisor's then current form of franchise agreement and related documents as are then customarily used by Franchisor in the grant of franchises; the term of such new franchise agreement shall, at Franchisor's option, be either for the balance of the term of this Agreement or for the full term generally granted to new franchisees as of the time of the transfer;
- v) Franchisee and transferee must have signed Franchisor's consent to transfer agreement or an equivalent document in a form satisfactory to Franchisor;
- vi) Franchisee and each Owner must sign a general release of claims in a form then required by Franchisor, to the extent permitted by law;
- vii) the transfer must be conditioned on the continuation of Franchisee's indemnification and other post termination obligations intended to survive termination of this Agreement;
- viii) Franchisee and its Owners shall not have a security interest after a transfer in the Franchise or the Franchise Agreement or any VCS Business assets without Franchisor's prior



written consent. If permitted, any security interest will be subordinated to the Franchisor's rights to payment under the applicable franchise agreement and any addendum; and

ix) the terms and conditions of sale cannot be so burdensome on the transferee in Franchisor's estimation so as to jeopardize the ongoing viability of the VCS Business and the transferee's capacity to meet System standards and to assume and perform the obligations required under this Agreement.

2. Franchisee authorizes Franchisor to discuss with Franchisee and/or the proposed transferee any matters Franchisor considers pertinent to the transaction, including the terms of sale, performance of Franchisee's VCS Business, and operating history.

3. Neither Franchisee nor any transferee shall rely on Franchisor to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed an approval of the terms or any indication as to any likelihood of success or economic viability. Franchisor has no liability to Franchisee or to any transferee for exercising its rights to approve or disapprove any proposed transaction in a manner consistent with the terms of this Section 21.

E. Consent Not a Release. Franchisor's consent to a transfer is not, and shall not be interpreted as, a consent to any future transfer or as a release of any of Franchisee's or Owner's obligations under the Franchise Agreement. Any release must be expressly stated in writing and signed by the Franchisor.

## 22. **Death or Incapacity**

If the Owner having a controlling interest in a Business Entity Franchisee dies or is permanently disabled, then his or her interest in this Agreement, the Franchised Business and/or the Franchisee must be transferred to a third party, subject to compliance with the provisions of Section 21. A "Permanent Disability" occurs if the controlling Owner is not able to personally, actively participate in the operation of the VCS Business for 180 consecutive days. A transfer under this Section shall be completed within 180 consecutive days from the date of death or permanent disability. Until such a transfer occurs, Franchisee's VCS Business must be operated by an individual who has the understanding and capacity to operate the VCS Business according to Brand Standards, as determined by Franchisor. If Franchisor is not satisfied that Franchisee's VCS Business is being operated according to required Brand Standards and determines that the goodwill associated with the Marks and the Vanguard Cleaning Systems organization's reputation are likely to be adversely impacted, Franchisor has the right to assign Accounts then being serviced by Franchisee's VCS Business to an alternate VCS services provider. Franchisee (or Franchisee's representative, if applicable) will have no right to revenues received in connection with services performed by the alternate VCS services provider. If no approved transfer occurs within the prescribed 180-day period, the Franchise Agreement will automatically terminate, unless Franchisor grants a written extension in its sole discretion or in compliance with local law.

## 23. **Right of First Refusal**

Franchisor has a right of first refusal to accept the terms of any proposed sale or transfer of any interest in Franchisee's VCS Business and assets. Before Franchisee accepts any offer by a third party (the "Offer"), Franchisee must first notify Franchisor in writing of the terms of the Offer. Any value attributable to the goodwill of the Marks or the System must be excluded from the purchase price. Franchisor will give Franchisee written notice of its decision of whether or not to exercise the right of first refusal within thirty (30) days from receipt of the Offer and all ancillary documents. Franchisor can substitute cash for any form of payment and condition a purchase on a general release from Franchisee and each Franchisee Owner and on acquiring clear title to all assets. Franchisor also has the right to set off against any amount of money payable by Franchisor all amounts due from Franchisee. If there is a material change in the terms an Offer, Franchisor will have an additional opportunity to exercise its right-of-first-refusal as provided in this Section.

24. **Non-Waiver**

No waiver or delay in enforcing a party's rights after any breach of this Agreement or any related agreement shall be construed as a waiver of any earlier or later breach or of such provision or of any other provision of this Agreement or any related agreement. Acceptance of any payment or performance from the other party shall not be construed to be a waiver of any breach of this Agreement.

25. **Late Payment**

All amounts due to Franchisor under this or any other Agreement between the parties shall bear interest after the due date at the higher of the rate of one and one-half percent (1.5%) per month or the highest applicable legal rate for open account business credit allowed under applicable law, unless otherwise expressly stated in a separate agreement or promissory note between the parties. Franchisee acknowledges that this Section 25 is not an agreement to permit or accept payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee's operation of the VCS Business.

26. **Application of Funds**

Franchisor can i) apply any payments received from Franchisee to any Franchisee indebtedness in Franchisor's sole discretion, no matter how payment is directed by Franchisee; ii) deduct from any amount that may be owed by Franchisor to Franchisee, any amount owed by Franchisee to Franchisor; and iii) keep any amounts received for Franchisee's account, whether rebates from suppliers, payments from Accounts or otherwise, as a payment against any amounts owed by Franchisee to Franchisor.

27. **Notices**

Notices required or permitted under this Agreement must be sent to the applicable parties at the following addresses, shall be in writing and shall be personally delivered, delivered by messenger or delivery service, sent by certified mail, return receipt requested, or sent by facsimile or electronic mail transmission. Notices shall be effective at the earlier of i) the time of actual receipt; or ii) immediately on transmission by facsimile or email transmission; or iii) one (1) business day after being placed in the hands of a commercial delivery service for overnight delivery; or iv) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed. A change in the following addresses is effective on receipt of written notice from the changing party.

28. **Addresses for Notices**

**Notices to Franchisor:**  
**SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin**  
**Mr. Daniel W. Schauer**  
**4325 S. 60<sup>th</sup> Street, Suite 2**  
**Greenfield, WI 53220**

**Notices to Franchisee: (no PO boxes)**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
**FAX:** \_\_\_\_\_  
**EMAIL:** \_\_\_\_\_

29. **Entire Agreement; Written Amendments; Changes Required Under Law**

This Agreement, including the recitals and all addenda and ancillary agreements signed concurrently with this Agreement, make up the parties' entire agreement, and supersede any and all prior or contemporaneous negotiations, understandings, representations, disclosures and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor. Furthermore, no existing arbitration agreement between the parties shall be superseded unless disputes subject to the prior agreement are also deemed arbitrable under Section 32, it being the intention of the parties that the arbitrability of any dispute covered by the existing arbitration agreement not be limited in any manner by Section 32. This Agreement shall not be binding on either party unless executed in writing by both parties. This Agreement can only be modified with a written amendment signed by both parties; except that Franchisor reserves the right to make changes to the Manuals and Brand Standards without Franchisee's consent. Further, this Agreement will be deemed automatically modified to comply with governing law, if such law requires a greater time period for notice of termination of, or refusal to renew, this Agreement or otherwise.

30. **Severability and Construction**

A. Conflicts. In any conflict between this Agreement and any applicable law, the law shall prevail and the provision of this Agreement that is affected shall be modified, but only to the extent needed to be lawful. If any provision of this Agreement is held to be indefinite, overbroad, invalid or otherwise unenforceable, the remainder of this Agreement shall continue in effect.

B. Third Party Rights; Successors and Assigns. Except for any third party rights expressly provided in this Agreement, this Agreement is not intended, and shall not be deemed, to confer rights on any person or legal entity other than Franchisor or Franchisee and their respective successors and assigns. This Agreement shall be binding on the heirs, executors, administrators, conservators, nominees, and assigns of the parties, and its benefits shall extend to the successors, assigns, subsidiaries, and affiliated companies of the parties.

C. Captions and Headings; Construction and Counterparts. Captions and headings are intended solely for the convenience of the parties and shall not be deemed to affect the meaning or construction of any provision of this Agreement. Any use of a word specifying a gender shall be construed to include all genders. Use of the word, "including" shall be construed broadly, as "without limitation" and "but not limited to." This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

D. Franchisor's Exercise of Discretion. In this Agreement, when the phrases "Franchisor's sole and absolute discretion" and/or "sole discretion" are used and whenever Franchisor exercises a right, prescribes an action or thing, or otherwise makes a choice or uses discretion, Franchisee and Franchisor agree that Franchisor has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions, as Franchisor considers appropriate. Franchisor shall use its judgment in exercising such discretion based on its assessment of the interests Franchisor considers relevant and will not be required to consider Franchisee's individual interests or the interests of any other particular franchisee(s). Franchisor has this right even if a particular decision/action may have negative consequences for Franchisee, a particular franchisee or a group of franchisees.

E. "Franchisee" Construed. As used in this Agreement, the term "Franchisee" includes the Business Entity identified as "Franchisee" in the introductory paragraph of this Agreement and all successors to the interests of the original Franchisee by transfer or operation of law. The signature of the Franchisee's Representative below constitutes an express representation that the representative has the authority to bind the Franchisee to the terms of this Agreement and that the Agreement is a binding obligation of Franchisee and enforceable according to its terms upon execution. The term "Franchisee" shall also include all shareholders and directors of the Business Entity that executes this Agreement (if it is

a corporation), and all members or managers of the Business Entity that executes this Agreement (if it is a limited liability company).

F. Individual Undertakings. All current and future shareholders, officers, members, managers and directors of any Business Entity that signs this Agreement as Franchisee personally and individually acknowledge and accept the duties and obligations imposed on Franchisee by the terms of this Agreement. As a condition to the granting of the franchise or to the consent to a transfer under this Agreement by Franchisor, Franchisor can require each of Franchisee's Owners and each of their respective spouses or domestic partners to execute a Guaranty in the form of Exhibit B attached hereto. The undersigned Franchisee Owner(s) and Franchisee Representative represent and acknowledge that (i) each has received, read and understood this Agreement, and (ii) each has had ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement. Each of the undersigned Franchisee Owner(s)/Franchisee Representative(s) agree and acknowledge that this Agreement shall apply with equal force to each of them in his or her individual capacity and each is a party for purposes of this Agreement.

G. Binding Agreement. This Agreement is binding upon and inures to the benefit of the Franchisor and the Franchisee and their respective successors and assignees.

### 31. Law and Venue

A. Choice of Law. Except to the extent of the applicability of the Federal Arbitration Act and/or Lanham Act, all matters arising out of or relating to this Agreement or any other agreement between the parties, or a breach of any of them, or the relationship of the parties (including their subsidiaries, affiliates, shareholders, owners, officers, directors, managers, representatives, and employees), will be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin, without giving effect to any conflict of laws; PROVIDED, that i) the provisions of Section 6 F. shall be construed and enforced in accordance with the laws of the state in which any claimed breaching activity occurs; and ii) the provisions of any Wisconsin statute, regulation or law regarding franchises (including any franchise registration and disclosure law or franchise relationship law) or sales assisted marketing plans/business opportunities shall not apply unless jurisdictional, definitional, and other requirements thereof are met independently of this Section.

B. Venue. Subject to Section 32 and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee's state of residence or of Franchisee's VCS Business, the parties agree that the venue for any litigation arising under this Agreement or any other agreement between the parties will be an appropriate state or federal court with jurisdiction in Milwaukee County, Wisconsin. The parties consent to such jurisdiction and waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. **THE PARTIES AGREE THAT ANY SUCH LITIGATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A CONSOLIDATED, COMMON OR CLASS ACTION. FRANCHISOR WAIVES ALL RIGHTS TO PROCEED ON A CONSOLIDATED, COMMON OR CLASS BASIS IN ANY ACTION AGAINST FRANCHISEE AND FRANCHISEE OWNERS. FRANCHISEE AND FRANCHISEE OWNERS WAIVE ALL RIGHTS TO PROCEED ON A CONSOLIDATED, COMMON OR CLASS BASIS IN ANY ACTION AGAINST FRANCHISOR OR LICENSOR, EXCEPT FOR CLAIMS UNDER THE LAWS OF THE STATE CHOSEN IN SECTION 31 A., WHICH BY LAW ARE NOT SUBJECT TO A CONSOLIDATED, COMMON OR CLASS ACTION WAIVER.**

### 32. Dispute Resolution

A. Informal Negotiation. The parties to this Agreement agree that a party, prior to the filing of any arbitration or other legal action, will first attempt, in good faith, to settle the dispute with the other party. To speed resolution and reduce the cost of any dispute, controversy or claim between or among the parties, the parties agree to first attempt to negotiate any dispute informally for at least thirty (30) days

before initiating any arbitration proceeding. Such informal negotiations will begin the date a party provides notice to the other that the informal negotiations are necessary.

B. Exclusive Arbitration of Claims. If a dispute between the parties occurs, the parties agree to resolve the dispute as described in this Agreement. This Agreement is governed by the Federal Arbitration Act (9 U.S.C. § 1, et seq.) and evidences a transaction involving commerce. Any disputes as to whether the Federal Arbitration Act applies to this Agreement shall be resolved exclusively by an Arbitrator, to the extent permitted by law. If the Federal Arbitration Act is held not to apply, the arbitration law of the state in which Franchisee provides commercial janitorial services under the “Vanguard Cleaning Systems®” trade name will apply. With the exception of the claims expressly carved out below, this Agreement applies to any existing or future dispute brought by Franchisee, Franchisor, any other party or any agent acting on behalf of either.

**THIS AGREEMENT REQUIRES ALL SUCH DISPUTES TO BE RESOLVED ONLY BY AN ARBITRATOR THROUGH FINAL AND BINDING ARBITRATION ON AN INDIVIDUAL BASIS, AND NOT BY WAY OF A COURT OR JURY TRIAL, NOR BY WAY OF A CLASS OR COLLECTIVE ACTION OR PROCEEDING.**

1. Claims Covered By the Arbitration Requirements in this Agreement: Unless carved out below, claims involving the following disputes shall be subject to arbitration under this Agreement regardless of whether brought by Franchisee, Franchisor, any other party or any agent acting on behalf of either (including their subsidiaries, affiliates, shareholders, owners, officers, directors, managers, representatives, and employees): (1) disputes arising out of or related to Franchisee’s performance of commercial janitorial services under the “Vanguard Cleaning Systems®” trade name and/or its operation as a unit franchisee for this purpose, including disputes relating to the services provided by Franchisee’s workers (including any services provided by a person signing this Agreement); (2) disputes arising out of or related to Franchisee’s relationship or purported relationship with Franchisor; (3) disputes arising out of or related to any standard, specification, or operating procedure relating to the establishment or operation of the franchised business, and (4) disputes arising out of or relating to this Agreement or a breach thereof, as well as disputes relating to the interpretation or application of this Agreement, including the enforceability, revocability, formation, or validity of the Agreement or any portion of this Agreement. This Agreement also applies, without limitation, to disputes regarding any city, county, state or federal wage-hour law, trade secrets, unfair competition, compensation, expense reimbursement, property damage, franchise and business opportunity law compliance and related franchising requirements, training, termination, privacy, copyright, patents, intellectual property, contracts, indemnification, insurance disputes, discrimination or harassment and claims arising under the Uniform Trade Secrets Act, Americans With Disabilities Act, Age Discrimination in Employment Act, Family Medical Leave Act, Fair Labor Standards Act, Employee Retirement Income Security Act, Genetic Information Non-Discrimination Act, and state statutes, if any, addressing the same or similar subject matters, and all other federal and state statutory and common law claims (excluding workers’ compensation, state disability insurance and unemployment insurance claims, and any other claims carved out in this Agreement or claims that may not be compelled to arbitration under applicable law).

2. Limitations on Application of Arbitration Requirements in this Agreement: The Arbitration requirements contained in this Agreement do not apply to claims for workers compensation, state disability insurance, or unemployment insurance benefits. Claims may be brought before, and remedies awarded by, an administrative agency if applicable law permits access to such an agency notwithstanding the existence of this Agreement. Such administrative claims include without limitation claims or charges brought before the Equal Employment Opportunity Commission ([www.eeoc.gov](http://www.eeoc.gov)), the U.S. Department of Labor ([www.dol.gov](http://www.dol.gov)), the National Labor Relations Board ([www.nlr.gov](http://www.nlr.gov)), and the Office of Federal Contract Compliance Programs ([www.dol.gov/esa/ofccp](http://www.dol.gov/esa/ofccp)). Nothing in this Agreement will be deemed to preclude or excuse a party from bringing an administrative claim before any agency in order to fulfill the party’s obligation to exhaust administrative remedies before making a claim in arbitration (if such an obligation exists).

3. Additional Excluded Claims: The following claims shall be excluded from coverage under the *Arbitration* requirements contained in this Agreement: (1) claims that, as a matter of law, may not be subject to a mandatory arbitration agreement; (2) claims that may be adjudicated in small claims court; and (3) claims pending in a state or federal court or arbitration as of the date of Franchisee's receipt of this Agreement.

C. Class/Collective Action Waiver. The parties agree to bring any dispute in arbitration on an individual basis only, and not on a class or collective action basis. Accordingly:

1. **There will be no right or authority for any dispute to be brought, heard or arbitrated as a class action ("Class Action Waiver"). In any case in which (1) the dispute is filed as a class action and (2) there is a final judicial determination that all or part of the Class Action Waiver is unenforceable, the Class Action Waiver shall be enforced to the extent permitted by law and any remaining class claims must be litigated in a civil court of competent jurisdiction.**

2. **There will be no right or authority for any dispute to be brought, heard or arbitrated as a collective action ("collective action waiver"). In any case in which (i) the dispute is filed as a collective action and (ii) there is a final judicial determination that all or part of the collective action waiver is unenforceable, the collective action waiver shall be enforced to the extent permitted by law and any remaining collective-action claims must be litigated in a civil court of competent jurisdiction.**

3. Claims under the laws of the State chosen in Section 31 which by law may not be brought in arbitration are not subject to the arbitration requirements of this Section 32.

4. Franchisor will not take any retaliatory action in response to any exercise of rights Franchisee may claim to have under section 7 of the **NATIONAL LABOR RELATIONS ACT**, if any, including the filing of or participation in a class, collective or representative action. However, Franchisor may lawfully seek enforcement of this Section 32 and seek dismissal of such class or collective action or claims.

5. The class action waiver and collective action waiver will be severable, or shall be enforced to the greatest extent possible, in any case in which the dispute is filed as an individual action and severance is necessary to ensure that the individual action proceeds in arbitration.

D. Arbitration Procedure and Rules. The Arbitrator shall be selected by mutual agreement of Franchisee and Franchisor. Unless Franchisee and Franchisor mutually agree otherwise, the Arbitrator shall be an attorney licensed to practice in the location where the arbitration proceeding will be conducted or a retired federal or state judicial officer who presided in the jurisdiction where the arbitration will be conducted, with experience in handling the claims and defenses at issue. If for any reason the parties cannot agree to an arbitrator, then an arbitrator will be selected using the alternate strike method from a list of five (5) neutral arbitrators provided by AAA (American Arbitration Association). Franchisee will have the option of making the first strike. Regardless of whether an AAA arbitrator or AAA is used, the parties agree to use the AAA Commercial Arbitration Rules. The parties may agree to use a different set of arbitration rules if other rules would be more appropriate based on the unique claims brought in a particular case, or the Arbitrator may, in his/her reasonable discretion, order the use of an alternative set of AAA Arbitration Rules, if appropriate. If there is a conflict between the AAA Rules and this Agreement, this Agreement shall govern. The AAA rules are available here: <https://www.adr.org/Rules>. Copies of the rules may be requested from Franchisor by emailing Dan Schauer at [dschauer@vanguardcleaningwi.com](mailto:dschauer@vanguardcleaningwi.com) or calling 414-763-1777. Further, the rules may easily be found through a web-based search on Google or Bing.

1. In arbitration, the parties will have the right to conduct adequate civil discovery, bring dispositive motions, and present witnesses and evidence as needed to present their cases and defenses, and any disputes in this regard will be resolved by the Arbitrator. Parties may bring any claim in arbitration that would otherwise be available in a court or venue of competent jurisdiction, including claims under

applicable state or local law, except as otherwise expressly provided herein. Likewise, additional claims that would be compulsory or necessary if the dispute were brought in court under the state law provided in Section 31 must be asserted in the same arbitration proceeding, including counter-claims and counter complaints, or the claims will be waived and/or barred to the same extent as if the dispute were being adjudicated in court under applicable law.

2. All claims in arbitration are subject to the same statutes of limitation that would apply in court. Notwithstanding Section 27 of this Agreement, a demand for arbitration must be in writing and delivered by hand or first class mail to the other party within the applicable statute of limitations period. Any demand for arbitration by a party must be delivered to the other party to the address provided in Section 28 of this Agreement or to the address listed below, as applicable (or the last known address, if updated address information is provided). The Arbitrator will resolve all disputes regarding the timeliness or propriety of the demand for arbitration.

3. The location of the arbitration proceeding shall be no more than 45 miles from the geographical area in which Franchisee performed commercial janitorial services as a unit franchisee under the “Vanguard Cleaning Systems®” trade name, unless each party to the arbitration agrees otherwise. Arbitrators in any proceeding under this Section 32 will apply applicable law, and a failure to apply the applicable law in accord with Section 31 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

E. Attorneys’ Fees and Arbitration Costs. Each party will pay the fees for its own attorneys, subject to any remedies to which that party may later be entitled under applicable law. Costs incidental to the arbitration, including the cost of the Arbitrator and the meeting site (“Arbitration Costs”), will be borne by Franchisor and Franchisee equally, unless otherwise required by applicable law. In the event Franchisee contends that, as a matter of law, it is not responsible for payment of any Arbitration Costs, Franchisee will have no obligation to pay any portion of the contested Arbitration Costs until, and only if, the Arbitrator determines that Franchisee is responsible for the costs. If necessary for arbitration of the dispute, Franchisor agrees to advance the amount of the Arbitration Costs contested by Franchisee – to the extent that those costs exceed the costs that Franchisee would be required to pay in initiating and maintaining a comparable legal proceeding outside of arbitration – until such time as the Arbitrator determines payment responsibility. If the Arbitrator determines that Franchisee is responsible for any amount of the Arbitration Costs already paid by Franchisor, Franchisee will remit payment of that amount to Franchisor within a reasonable period of time after the Arbitrator’s determination becomes final or, if regulated by law, within the time allowed by law.

F. Post-Arbitration Procedures. Within thirty (30) days of the close of the arbitration hearing (which period may be extended by stipulation of the parties), any party will have the right to prepare, serve on the other party and file with the Arbitrator a post-arbitration brief. Each party (including its owners, principals and guarantors, if applicable) hereby waives to the fullest extent permitted by law, any right or claim to any punitive, exemplary, penal, multiple, incidental, indirect, special, consequential or other damages (including without limitation loss of profits) against the other party (including its respective subsidiaries, affiliates, shareholders, officers, directors, managers, representatives, and employees, in their corporate and individual capacities) arising out of any cause or claim whatsoever and agrees that the claiming party (including its owners, principals, and guarantors, if applicable) shall be limited to the recovery of actual damages sustained. Subject to the foregoing, the Arbitrator may award any party any remedy to which that party is entitled under applicable law, but such remedies will be limited to those that would be available to a party in his or her or its individual capacity in a court of law for the claims presented to and decided by the Arbitrator, and no remedies that otherwise would be available to an individual in a court of law will be forfeited by virtue of this Agreement. The Arbitrator will issue a decision or award in writing, stating the essential findings of fact and conclusions of law. Except as may be permitted or required under the FTC Rule on Franchising or state franchise law, or as otherwise permitted or required by law and as determined by the Arbitrator, neither a party nor an Arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of the parties. A

court of competent jurisdiction will have the authority to enter a judgment upon the award made pursuant to the arbitration.

G. Right to Consult With an Attorney and to Opt Out of Arbitration. Franchisee has the right, and is encouraged, to consult with private counsel of Franchisee's choice with respect to any aspect of, or any claim that may be subject to, this Agreement. This dispute resolution provision (Section 32 of this Agreement) is voluntary and refusal to enter into it will have no impact on Franchisee's operation as a Vanguard Cleaning Systems® unit franchise business. If Franchisee signs this Agreement and afterwards no longer wishes to be subject to Section 32 of this Agreement, Franchisee may opt out by notifying Franchisor in writing of Franchisee's desire to opt out of Section 32. To be effective, the writing indicating Franchisee's intent to opt out must be dated, signed and submitted to Franchisor within 30 days of Franchisee's execution of this Agreement. The writing may be submitted to Franchisor in any reasonable manner, including by U.S. Mail, overnight mail, hand delivery, or email, so long as the method used ensures verifiable receipt by Franchisor within the 30 day period. Franchisee's writing opting out of this Agreement will be filed with a copy of this Agreement and maintained by Franchisor.

**If Franchisee signs this Agreement and does not opt out of Section 32 of this Agreement within the following thirty (30) day period, Franchisee and Franchisor will be bound by the terms of the Section 32 of this Agreement.**

H. Use of Arbitration Awards. No findings, conclusions, orders or awards emanating from any arbitration proceeding conducted pursuant to this Section 32 may be introduced, referred to or used in any subsequent or other proceeding as a precedent, to collaterally estop any party from advancing any claim or defense or from raising any like or similar issues, or for any other purpose.

I. Survival and Enforcement. The terms of Sections 31 and 32 shall survive termination or expiration of this Agreement. If any portion of Section 31 or 32 is deemed to be unenforceable for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

### 33. **Force Majeure**

Neither party shall be liable or responsible for any delays in performance under this Agreement (except for the payment of money owed) due to strikes, lockouts, casualties, acts of God, war, acts of terrorism, government regulation or control or other causes beyond the reasonable control of the parties. Any time period for the performance of an obligation shall be extended for the amount of time of the delay. The application of this clause shall not result in an extension of the term of this Agreement.

### 34. **Cumulative Remedies**

Unless otherwise expressly stated in this Agreement, the rights and remedies specifically granted to either Franchisee or Franchisor by this Agreement will not be deemed to prohibit either Franchisee or Franchisor from exercising any other right or remedy provided under this Agreement or permitted by law or in equity.

### 35. **Discretionary Enforcement**

Franchisor has the right to elect in its discretion to not enforce (or to selectively enforce) any provision of this Agreement or any agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, in a lawful manner without liability.

### 36. **Franchisee Acknowledgements**

A. Receipt of this Agreement and the Franchise Disclosure Document. Franchisee represents and acknowledges that Franchisee has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document and that Franchisor has given Franchisee ample time and



opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that Franchisee has received, at least fourteen (14) calendar-days prior to the date on which this Agreement was signed, the Franchisor's Franchise Disclosure Document required by law, as modified by any applicable state addenda attached to it.

B. Consultation by Franchisee. Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the VCS Business and the prospects for that business. Franchisee represents that Franchisee has either consulted with such advisors or has purposely declined to do so. Franchisee acknowledges that VCS Business franchisees are separate and distinct from Franchisor and are independently owned and operated and that while Franchisor may encourage Franchisee to speak with VCS Business franchisees in connection with Franchisee's evaluation of this franchise opportunity, such franchisees do not act as Franchisor's agents or representatives in providing any information to Franchisee and Franchisor has no obligations or liabilities with respect to any information, opinions or otherwise they may provide to Franchisee.

C. True and Accurate Information. Franchisee represents that all information in Franchisee's applications and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

D. Risk. Franchisee represents that Franchisee has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in the VCS Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

E. No Guarantee of Success. Franchisee represents and acknowledges that Franchisee has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the VCS Business. Specifically, Franchisee has not received,

- i) any sales, income or other projections of any kind or nature;
- ii) any statements, representations, charts, calculations or other materials which stated or suggested any level or range of sales, income, profits or cash flow; or
- iii) any representations as to any profits Franchisee may realize in the operations of the Franchised Business or any working capital or other funds necessary to reach any 'break-even' or any other financial level.

Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement. Franchisee acknowledges that Franchisee is responsible for the success of Franchisee's VCS Business, which will be dependent upon Franchisee's management skills, financial controls, business skills, marketing and business development efforts and other capabilities.

F. Licensor (Vanguard Cleaning Systems, Inc.) Not A Party. Franchisee acknowledges and agrees that Licensor is not a party to this Agreement (although an intended third party beneficiary for purposes of enforcing Licensor's Intellectual Property interests) and is not responsible for Franchisee's or Franchisor's performance under this Agreement, the operation of the VCS Business or otherwise. Franchisee further acknowledges that Franchisee is and shall remain at all times a completely independent contractor in business for itself, and that there is not an employer-employee, co-employer relationship, partnership, joint venture, agency or any fiduciary or special relationship between Franchisor and Franchisee or between Licensor and Franchisee.

G. Franchisor Practices. Franchisee understands, acknowledges and agrees that Franchisor may have offered franchises in the past, may currently be offering Franchises and/or may offer Franchises in the future on economic and/or other terms, conditions and provisions which may significantly differ from those stated in this Agreement and any related documents, and that there may be instances in which Franchisor has varied, or will vary, the terms on which Franchisor offers Franchises, the charges Franchisor receives and other arrangements with a particular franchisee to suit the circumstances of a particular transaction, the particular franchisee's situation or otherwise, in each case in its sole discretion and without liability, to the extent permitted by law.

H. Franchisee Tax Responsibility. Franchisee acknowledges that Franchisee is solely responsible for all taxes of any kind incurred or paid in connection with Franchisee's VCS Business and the services it provides, including as provided in Sections 7 A. 4. and 17, above.

*(Signature page follows)*

This Agreement is effective only upon execution by both Franchisor and Franchisee and the undersigned Franchisee Owner(s) and Franchisee Representative.

**Agreed and accepted by the undersigned.**

**THE EFFECTIVE DATE IS:** \_\_\_\_\_

**FRANCHISOR: SandalStone Ventures Inc.**

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

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

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

\*\*\*\*\*

**FRANCHISEE (Corp. or LLC)**

\_\_\_\_\_  
(Legal Name of Franchisee Entity)

a \_\_\_\_\_  
Jurisdiction of Formation Corporation or LLC

By: \_\_\_\_\_  
Signature of Franchisee Representative Title  
\_\_\_\_\_  
Print Name

Designated Owner: \_\_\_\_\_

(Franchisee is to notify Franchisor in advance if it wants to select one of the other Franchisee Owners named below to become the Designated Owner at any time.)

**Franchisee Ownership:**

**Franchisee:** \_\_\_\_\_ (business entity franchisee)

**Franchisee Owners:**

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

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

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Percentage of ownership: \_\_\_\_\_ %

Percentage of ownership \_\_\_\_\_ %

**TOTAL 100%**

Fax: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Email: \_\_\_\_\_

**EXHIBIT A**  
**TO THE FRANCHISE AGREEMENT**

**PROMISSORY NOTE**

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

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

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_  
**SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin**, ("PAYEE")  
a **Wisconsin Corporation**, at its office at **4325 S 60<sup>th</sup> Street, Suite 2, Greenfield, WI 53220** or  
at such other place or to such other party or parties as a holder of this Note may from time to time  
designate, in lawful money of the United States, the principal sum of  
\_\_\_\_\_ Dollars (\$ \_\_\_\_\_), with interest thereon from the  
date hereof at the rate of \_\_\_\_\_ percent per annum on the unpaid balance of said principal sum until paid;  
and to pay said principal sum and interest in installments of \_\_\_\_\_ Dollars  
(\$ \_\_\_\_\_) on the \_\_\_\_\_ day of each and every month beginning on  
\_\_\_\_\_, 20\_\_\_\_, and ending on \_\_\_\_\_, 20\_\_\_\_.

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

The acceptance by PAYEE of any amount after any default hereunder shall not operate to  
extend the time of payment for any amount(s) then remaining unpaid hereunder or be considered a waiver  
of any of the other rights of PAYEE hereunder.

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

- The failure to pay when due any installment of the principal and interest of this Note;
- The failure to timely or properly keep or perform any of the recitals, covenants,  
conditions, representations, warranties, obligations or guarantees contained in any agreement  
between the Maker and PAYEE;
- The levy of any attachment, execution, or any other process against all or any part of the  
Maker's assets;
- The failure to pay, withhold, collect or remit any tax or tax deficiency when assessed or  
due;
- The suspension of Maker's business, 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 for Maker under any state or federal bankruptcy or insolvency  
statute, or the adjudication of Maker as a bankrupt or insolvent, or the application for or the  
involuntary appointment of a receiver.

If legal counsel is employed by the holder of the Note to enforce any of its terms, Maker  
shall pay reasonable costs and attorneys' fees incurred in connection therewith, and such amount shall be  
secured hereby.

The Undersigned shall all be deemed Makers and will jointly, severally, and individually  
be liable as Makers.

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 the State Courts of Milwaukee County, Wisconsin and the Federal District Court for the Eastern District of Wisconsin, Milwaukee Division.

\_\_\_\_\_  
Maker

\_\_\_\_\_  
Maker

\_\_\_\_\_  
**(PLEASE PRINT NAME)**

\_\_\_\_\_  
**(PLEASE PRINT NAME)**

\_\_\_\_\_  
Maker

\_\_\_\_\_  
Maker

\_\_\_\_\_  
**(PLEASE PRINT NAME)**

\_\_\_\_\_  
**(PLEASE PRINT NAME)**

**EXHIBIT B**  
**TO THE FRANCHISE AGREEMENT**  
**FORM OF PERSONAL GUARANTY**

**OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution by SandalStone Ventures, Inc. ("FRANCHISOR") of that certain Franchise Agreement (the "Agreement") dated \_\_\_\_\_ between FRANCHISOR and \_\_\_\_\_ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties, including:

\_\_\_\_\_, ("Guarantors"), hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and the term of any successor Franchise Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel.

Each Guarantor hereby expressly waives:

- (1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;
- (5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and
- (6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty will be joint and several;
- (2) he or she will render any payment or performance required under the Agreement, all exhibits thereto and any other agreements between FRANCHISEE and FRANCHISOR, regardless of the date of their execution, upon demand if FRANCHISEE fails or refuses to do so punctually;
- (3) such liability will not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;
- (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be irrevocable during the term of the Agreement;
- (5) the liability and obligations under this Guaranty and Assumption will not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement and any exhibits thereto and shall be continuing and irrevocable with respect to such Agreement, any related exhibits and any such other agreements, whenever executed, for so long as any performance is or might be owed by FRANCHISEE or FRANCHISEE owner(s) and for so long as Franchisor has any cause of action against FRANCHISEE or FRANCHISEE owner(s); and

(6) he or she acknowledges having read and understood the Agreement and further agrees that this Guaranty and all other matters concerning FRANCHISOR and Guarantor(s) and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with the dispute resolution provisions of Sections 31 and 32 of the Agreement, as though each Guarantor were "FRANCHISEE" for purposes of such Sections.

IN WITNESS WHEREOF, each of the undersigned has executed this document on the date stated below.

DATE OF GUARANTEE: \_\_\_\_\_

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP OF FRANCHISEE
_____ Signature	_____ %
_____ Print Name	
_____ Signature	_____ %
_____ Print Name	
_____ Signature	_____ %
_____ Print Name	

**EXHIBIT C**  
**TO THE FRANCHISE AGREEMENT**

**INDEPENDENT CONTRACTOR  
ACKNOWLEDGEMENT**

I hereby acknowledge that my company, \_\_\_\_\_, has been awarded a Vanguard Cleaning Systems® franchise by SandalStone Ventures, Inc., (a Vanguard Cleaning Systems master franchisee, or “Region”) for the operation of an independent commercial cleaning business under the Vanguard Cleaning Systems brand (a “VCS Business”). As an owner of an independent business, I

- supervise, manage and control the day to day operations of my VCS Business and determine the methods and hours necessary to meet a cleaning account’s terms and requirements;
- am solely responsible for the training, scheduling, wages, staffing and management of my employees and the terms of their employment;
- manage my VCS Business expenses and provide equipment, chemicals, and supplies to support my VCS Business operation; and
- am not precluded from selling janitorial services to accounts outside of the VCS Business, which are considered non-Vanguard accounts, so long as I do not do so under the Vanguard Cleaning Systems® brand and do not solicit accounts under contract with another Vanguard business.

Neither I nor my other VCS Business employees are employed by or agents of SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE WI, Vanguard Cleaning Systems, Inc. or any other Vanguard Cleaning Systems master franchisee, and I am solely responsible for ensuring that:

- my VCS Business complies with all federal, state, and local laws pertaining to its operation and that all taxes applicable to my VCS Business, including business taxes, self-employment taxes, income taxes, social security, and payroll taxes, are paid fully and on time; and
- any licenses and insurance that may be required to operate my VCS Business, including automobile, liability and workers’ compensation insurance, are maintained and meet minimum coverage requirements, as provided in my VCS Business franchise agreement.

I will meet all Vanguard Cleaning Systems® brand standards for identifying my VCS Business and its operations as independently owned and operated and will include specific notices of independent ownership on forms, business cards, stationery, advertising, signs and other materials. I will hold my VCS Business out as an independent business in all dealings and communications with the public.

Dated: \_\_\_\_\_, VCS Business owner

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
VCS Business Name

**Each Vanguard Cleaning Systems® business is an independently owned and operated franchise.**

® is a registered mark of Vanguard Cleaning Systems, Inc.



**EXHIBIT B**

**TO THE DISCLOSURE DOCUMENT**

**INSURANCE REQUEST FORM/PAYMENT AUTHORIZATION**  
**(Subject to Change by Franchisor)**

**INSURANCE REQUEST FORM/PAYMENT AUTHORIZATION**

\_\_\_\_\_ (Franchisee) understands that Franchisee is required to obtain certain minimum insurance coverage, as described in Franchisee's Franchise Agreement. Franchisee has the option of obtaining commercial liability and umbrella liability coverage and crime insurance meeting the minimum requirements by participating in the Vanguard Cleaning Systems® group insurance program offered to Franchisee by **SandalStone Ventures, Inc.** (Franchisor). Franchisee voluntarily chooses to participate in this insurance program and hereby requests to participate understanding the following:

Coverage available under the optional insurance program and shared by participating Vanguard Cleaning Systems® businesses includes-

- A master policy with \$1 million crime insurance coverage;
- A master commercial general liability policy with a liability limit of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; and
- A master commercial umbrella liability policy with insurance coverage of \$10,000,000

- Coverage only applies to Accounts for which Franchisee’s business provides services under the Vanguard Cleaning Systems® brand
- Coverage does NOT include workers’ compensation insurance, automobile liability insurance, unemployment insurance, medical/dental or plan deductible coverage and any items excluded under the particular group policies
- If Franchisee has or obtains this coverage through another source, the costs could be less than the group insurance program costs, depending on the carrier selected, policy limits and other variables.

Under the insurance program available through Franchisor, Franchisee pays Franchisor the cost of coverage, plus an administrative fee charged by the Franchisor. The administrative fees are revenue for the Franchisor. Rates are subject to change.

By signing in the space below, Franchisee agrees to pay to participate in the insurance program a nonrefundable monthly fee of \_\_\_% of Franchisee’s total gross monthly Accounts and special services billings. Franchisee authorizes Franchisor to deduct this amount from funds collected from Franchisee’s Accounts to the extent available. Franchisee can discontinue participation in the Vanguard® insurance program by giving 30 days advance written notice of cancellation and delivering certificates of coverage issued by the insurance companies Franchisee selects to provide alternative coverage.

**FRANCHISOR: SandalStone Ventures, Inc.  
d/b/a/ Vanguard Cleaning Systems of SE  
Wisconsin**

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

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

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

**FRANCHISEE (Corp. or LLC)**

\_\_\_\_\_  
(Legal Name of Franchisee Entity)

By: \_\_\_\_\_  
Signature Title

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

**EXHIBIT C**

**TO THE DISCLOSURE DOCUMENT**

**LIST OF ACTIVE UNIT FRANCHISEES OF SE WISCONSIN**

**AS OF DECEMBER 31, 2020**

**List of Active Unit Outlets of IL-Chicago**

**List of Active Unit Outlets of MI-Detroit**

**List of Active Unit Outlets of WI-Milwaukee**

<b>Last Name</b>	<b>First Name</b>	<b>Company Name</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
Adams	Ben		4445 N. 30 <sup>th</sup> Street	Milwaukee	WI	53209	414-442-6493
Adams	Moses		6220 N. 118th St.	Milwaukee	WI	53225	414-841-0986
Akins	Gerry	FloorReal Cleaning	33851 Shelley Lynne Drive	Sterling Heights	MI	48312	(313) 633-5114
Aldana	Norman	Twin Maintenance Company	1428 Circle Dr.	Glendale Heights	IL	60139	630-815-9696
Ali	Shah	Sultan LLC	2644 Whitehall St	Warren	MI	48091	(586) 755-6029
Alite	Rozeta	Professional Office Cleaning	104 S Myrtle Ave	Villa Park	IL	60181	630-398-2641
Alvarez	Anselmo	A.O.A. Cleaning Service	345 E. Irving Park Rd	Wood Dale	IL	60191	224-725-8472
Apolinar	Noemi	Brenda's Cleaning LLC	513 Cookane Ave.	Elgin	IL	60120	224-558-4154
Avington	Kashka	Precise Janitorial Cleaning	4458 N 88th	Milwaukee	WI	53225	414-732-1676
Batsukh	Bayarsaikhan	BTS Detailing Corporation	2145 S. Tonne Dr	Arlington Heights	IL	60005	779-770-0776
Bowels	Danay	Maid 2 Perfection	5693 W Hampton CT #301	Westland	MI	48185	(313) 799-9956
Boyd	DeTanya	Myrei & David Services	19140 Cheshire	Grosse Pointe	MI	48236	(313) 377-2450
Brown	Marcus		8181 N Wayne Rd Apt D-2044	Westland	MI	48185	(313) 469-1589
Brown-Spires	Sirronta	Cornell Brown Family Cleaning, LLC	9999 Ashton	Detroit	MI	48228	(313) 808-8217
Burris	SharonToya	Polished Cleaning Service	42178 Kyle Dr	Clinton Township	MI	48038	(586) 823-2918
Burt	Sharon	Presidential Cleaning Services LLC	8674 Trinity	Detroit	Mi	48228	(313) 254-7620
Buttignoli	Chevaun	Amelioration Services, LLC	29380 Brooks Lane	Southfield	Mi	48034	(248) 277-1181

Byrd	Crystal		300 Eagle Pond Apt. 145	Walled Lake	MI	48390	(313) 576-6397
Carter	Earl	Surfachells	19757 Endiborough	Detroit	MI	48219	(313) 333-7720
Cegueda	Miriam	Miriam's Cleaning Inc	128 6th Ave.	Bartlett	IL	60103	630-501-7044
Chabot	Dave	Chabot & Associates	2024 Dean Drive	Washington	MI	48094	(586) 703-5700
Clayton	Sean	Carrie and Son's Cleaning Servcie	16910 Mark Twain	Detroit	MI	48235	(313) 394-9982
Cobb	Anthony		4730 N 71st Street	Milwaukee	WI	53218	414-218-0394
Cobb-Bufford	Sharita	JG Bufford Cleaning Service	2449 S 94th Street	West Allis	WI	53227	262-444-7434
Cortez	Linda	Cortez Professional Cleaning LLC	464 Hirch Ave	Calumet City	IL	60409	773-885-2350
Covarrubias	Gustavo	Roman Cleaning Services	27 King Arthur Ct. Apt 10	Northlake	IL	60164	708-417-0650
Cruz	Dolly	Luxe Cleaning, Ltd	2015 N Neva	Chicago	IL	60707	773-392-4607
Culesker	Maida	Culesker Cleaning LLC	24237 Country Squire Street #262	Clinton Township	MI	48035	(586) 744-1652
Cutright	Crystal	Cutright Cleaning LLC	20030 Meota Street	Detroit	MI	48221	(313) 544-6556
Dahms	Gary	Mr Clean Janitorial Service	W305 S4095 Brookhill Rd #8	Waukesha	WI	53189	262-309-3288
Davis	Carlos	CNC Cleaning	4302 N. 50th	Milwaukee	WI	53216	414-651-3122
Davis	Kristan	WB & Accosicates LLC	30073 Club House Lane	Farmington Hills	MI	48334	(313) 742-9749
Davis	Terrence	Quality Commercial Cleaning LLC	8853 San Jose	Redford	MI	48239	(313) 286-9957
Demydenko	Russell	Chicago Euro Services, Inc.	635 W. Grace, Apt. 509	Chicago	IL	60613	773-576-8944
Djogo	Ilinka	Sparklin' Clean	3831 S Miner Street #1	Milwaukee	WI	53221	414-732-7119
Dobrota	Valentin		45690 Limerick Dr	Macomb	MI	48044	(586) 722-3684
Eccles	Dennis	LCE Investments LLC	15336 Wilbur Ct. Apt 55	Redford	MI	48239	(734) 658-2670
Elgendy	Peter	Sedaros Cleaning Service LLC	15863 Darby	Fraser	MI	48026	(586) 945-0152
Ellis	Wanda		21850 Stratford	Oak Park	MI	48237	(313) 422-5936
Ellis	Patrick	Ellis Cleaning Service LLC	348 24th Ave	Bellwood	IL	60104	708-306-2578
Escareno	Gloria	Cleaning Element Inc.	337 N. Mount Prospect Rd.	Des Plaines	IL	60016	773-569-5169

Fairley	Africa	Staffrica	22515 Arlington	Roseville	MI	48066	(248) 408- 5228
Farrelly	Adam		22625 Bluewater Dr	Macomb	MI	48044	(586) 945- 9969
Fernandez	Nora	Nori's Cleaning Service LLC	1258 Cottonwood Dr.	Aurora	IL	60506	630-346- 9489
Fitzgerald	Santana	Fitzgerald Cleaning Services	5306 W. Hassel Lane	Milwaukee	WI	53223	414-324- 2437
Gaddies	Kim	Metropolitan Professional Cleaning Services LLC	35816 Concord Dr	Romulus	MI	48174	(313) 729- 4664
Galatas	Jonathan	Two Hands Janitorial	12226 W Bluemound Rd, Apt 4	Milwaukee	WI	53226	414-793- 8955
Gamble	Tierra	T & C Spotless	21910 Hampshire Ct	Southfield	MI	48076	(248) 872- 6656
Gaynor	Dwayne	DG Cleaning Services, LLC	8210 Suzanne Street	Detroit	MI	48234	(313) 918- 4405
Golden	Oboi	GoldenTouch Professional Cleaning Service	9182 Yorkshire	Detroit	MI	48224	(313) 445- 5182
Gomez	Lolis	J'Celeste Cleaning Services, Inc.	54 Washington, Apt. #107	Mundelein	IL	60060	224-806- 6304
Gordon	Dennis	G6 Enterprises LLC	20230 Harbor Ct	Southfield	MI	48076	(248) 686- 6658
Gray	Vickie		8039 W. Beckett Ave	Milwaukee	WI	53218	414-999- 6991
Gray	Spence	Dakota Cleaning Services	32641 Dover Ave	Warren	MI	48088	(248) 632- 0419
Grier	Nicola	Grier Cleaning Systems	23750 Marlow St	Oak Park	MI	48237	(313) 977- 5146
Haddad	Jeff	M & T Haddad Inc.	4570 15 Mile Road Apt 202	Sterling Heights	MI	48310	(586) 443- 1478
Hamilton	Lillie	Cleaning with Perfection LLC	143 South Lafayette	Warren	MI	48091	(313) 826- 8291
Harper	Ricky	I Will Clean 4U, Inc.	7151 S. Sawyer Ave.	Chicago	IL	60629	773-557- 3136
Harrington	Nora	Kleen Proz	9745 Van Buren Street	Van Buren Twp	MI	48111	(734) 502- 9436
Harris	Hashan	Harris Pristine Cleaning Services, LLC	3416 W Arthur Ave	Milwaukee	WI	53215	414-520- 8421
Henry	Milton	#1 Cleaning Experts	25320 Shiawasee	Southfield	MI	48033	(248) 747- 3718
Higgins	Irvan	JSH Cleaning Services	16262 Chattam Dr.	Clinton Twp	MI	48305	(313) 790- 1981
Hill	David	Briecht Services	48555 Isola Drive	Shelby Twp	MI	48315	(313) 506- 5658
Hill	David	Briecht Services LLC	20617 Williamsburg Ct.	Harper Woods	MI	48225	313-506- 5658

Hodges	Doug	Douglas T Hodges L.L.C.	8667 34 Mile Road	Romeo	MI	48065	(586) 337-0164
Hudson	Misha	Infinite Cleaning Service, Inc.	14539 Kimbark	Dolton	IL	60419	708-913-3894
Hudson	Teigo	Diligent Cleaning Services, Inc.	15322 Greenwood Rd	Dolton	IL	60419	708-595-5550
Hunter	Crystal	Metropolitan Cleaning Services LLC	21352 Beaconsfield Apt7	St. Clair Shores	Mi	48080	(313) 208-1781
Iliev	Kremena	YFL Cleaning Inc.	3396 Mallard	Lake Orion	MI	48360	(248) 568-3449
Isakovic	Emir	Edi's Immaculate Cleaning Service's, Inc.	27763 N Lakeview Cir	Wauconda	IL	60084	773-485-2561
Jemison	Marquie	Sunnies Commercial Cleaning	16836 Sorrento	Detroit	MI	48235	(313) 918-0041
Jilemnicky	Petr	Bohemia Services LLC	12881 W. Hampton Ave, Apt. G	Butler	WI	53007	262-613-9783
Jimenez	Graciela	J&L Cleaning Service LLC	1406 Arthur Avenue	Joliet	IL	60432	630-518-2512
Johnikin	Bobby		9831 W. Carmen Ave	Milwaukee	WI	53225	414-458-4066
Johnson	Sam	North Shore Cleaning, LLC	6540 N. Bourbon Street	Milwaukee	WI	53224	414-215-8664
Johnson	Larry	Kadako	23310 Brandywynne	Southfield	MI	48033	(313) 467-1182
Jones	Garry	GNA Janitorial	26845 Parkside	Taylor	MI	48180	(313) 289-7748
Jones	Liz	ENJ Cleaning LLC	29845 Pinto	Warren	MI	48093	(313) 978-4648
Jones	Sandy	L&S Cleaning Contractors L.L.C	36837 Russell Court	Sterling Heights	MI	48312	(313) 743-2059
Kalaj	Maria	Azzura Cleaning LLC	22298 Parklane	Farmington Hills	MI	48335	(248) 770-2738
Keglovitz	Zara	Mintex Maintenance Inc.	27475 Ferry Rd	Warrenville	IL	60611	773-729-8784
Kimbrough	Glynis	I Clean Racine	810 College Avenue - Upper	Racine	WI	53403	262-822-1407
King	Anita	A & D Commerical Cleaning	4060 Summerfield Drive	Troy	MI	48085	(248) 697-1276
Koger	Treva	At Chore Service	18317 New Hampshire	Southfield	MI	48075	(313) 412-5707
Kohnke	Bill	BK Office Cleaning Corp.	2015 S. Finley Rd, Unit 611	Lombard	IL	60148	630-272-6229
LaDuke	Shelley	Nit-Picky Cleaning LLC	20954 South Miles	Clinton Township	MI	48036	(586) 489-9124
Lenyoun	Martinez	MBKC Investment Group LLC	300 S. Austin Boulevard	Oak Park	IL	60304	708-252-8035
Lewis	Jason	Greenway Cleaning Services	2081 Van Antwerp	Grosse Pte Woods	MI	48036	(313) 303-9511

Lopez	Claudia	Escopez LLC	1201 Wisteria Lane	Waukesha	WI	53189	262-225-2454
Lopez	Raul	Logic Cleaning Services, LLC	6310 W. Cold Spring Road	Milwaukee	WI	53215	414-837-9827
Lopez	Francisco	Illinois' First Choice	3800 W. 64 <sup>th</sup> St	Chicago	IL	60629	773-726-2810
Lopez	Norma	Cleaning Master Yahirs	180 Briarwood Ct.	Elgin	IL	60120	224-595-5563
Love	Damon	Love Family Cleaning Company	5281 Marsellies	Detroit	MI	48224	(313) 728-6869
Mann	Gary		16240 Almont Road	Allenton,	MI	48002	(810) 969-1022
Manning	Nakia	Clean Magic Cleaning	1901 N 7th Street	Milwaukee	WI	53205	414-949-6579
Martinez	Alexandria	Martinez Commercial Cleaning, LLC	3664 Princeton Way	Sturtevant	WI	53177	262-664-1642
Maxhe	Miklojan	ALB Clean SP	181 Hazelnut Dr	Streamwood	IL	60107	630-615-0591
McGee	Yakini	1Stop Professional Cleaning Services	20051 Burgess	Detroit	MI	48219	(313) 404-2599
Meade	Tom	Down on Dirty LLC	46175 Windson Court	Macomb	MI	48044	(586) 242-2226
Mendoza	Cesar	Mendoza	2036 S 26th Street	Milwaukee	WI	53204	414-369-0732
Miller	Kennedy	Where & When Cleaning Co LLC	205 Aberdeen Ct	Belleville	MI	48111	(313) 690-7948
Miller	Isaiah	Clean Surface Solutions, Inc.	15626 Church Dr	South Holland	IL	60473	708-743-6080
Millsap	Kenshawna	Shawna's Royalty Cleaning	1460 S 80th Street - Lower	West Allis	WI	53214	414-739-4078
Montes	Omar	OFM Cleaning, Inc.	4812 W. 23rd St.	Cicero	IL	60804	773-931-7954
Mukrdechian Jr.	Daryl		19906 Elizabeth	St. Clair Shores	MI	48080	(586) 850-0827
Munoz	Hector	H & I, LLC	3122 Northwestern Ave, Apt 1	Racine	WI	53404	262-770-6380
Nelson Jr	Richard	Spot On Cleaning Services	4900 N 26th Street	Milwaukee	WI	53209	414-704-3696
Norris	LaTasha	Norris Service Group LLC	8045 Katherine	Taylor	MI	48180	(734) 236-6676
Pacheco	Antonio	ABC Maintenance & Services LLC	128 Andover Dr	Glendale Heights	IL	60139	630-767-4589
Peals	Wanda	Dubz Deli W.P.	3808 MdDougall	Detroit	MI	48207	(313) 220-4434
Peavy	Paula	Zero Cooling Cleaning Services LLC	60 Vinewood Ct.	Pontiac	Mi	48341	(248) 802-7441

Perez	Alejandro	Integral Cleaning Solutions LLC	103 Highpoint Dr. Apt. 102	Romeoville	IL	60446	815-981-0336
Pollard	Janine	The Justari Group LLC	4161 15th	Ecorse	MI	48229	(313) 728-9399
Powell	Christine	LCV Cleaning Servcies	18720 Chandler Park Drive	Grosse Pte	MI	48236	(313) 729-4091
Puente	Cindy	Eco Green Cleaning LLC	2179 S 34th Street	Milwaukee	WI	53215	414-429-4432
Pulido	Martha	Martha Pulido SP	544 Lakelawn Blvd	Aurora	IL	60506	630-664-2042
Quast	Gloria	GloMoe's Cleaning	3003 N 60th St, P.O. Box 100422	Milwaukee	WI	53210	414-202-8140
Ralls	Joseph	JR Cleaning Service LLC	15357 Juliana	Eastpointe	MI	48021	(313) 854-0235
Rhodes	Gregory	Roads Holding LLC	18479 Stahelin	Detroit	MI	48219	(313) 482-7397
Rodriguez	Rosalba	Blessed Hands Cleaning	1664 S Layton Blvd	Milwaukee	WI	53215	414-306-0227
Rodriguez	Maria	Genesis Commercial Cleaning Inc	4908 N. Harding Ave.	Chicago	IL	60625	773-708-0253
Rogers	Terrah	Cleaner Zone LLC	14325 S. Parnell Ave.	Riverdale	IL	60827	708-275-2092
Ruiz	Andrea	The Wizard of Mop LLC	1212 Courtland Circle	Plainfield	IL	60586	312-213-3340
Rutherford	Victor	Joyfull, LLC	4502 N. 72nd Street	Milwaukee	WI	53218	414-241-1877
Sanchez	Guillermo	Adriel's Cleaning Service, Inc.	2139 Ash St.	Des Plaines	IL	60018	773-742-3291
Sarabia	Ivan	Affordable Cleaning Services LLC	1820 Gleneagle Circle	Elgin	IL	60123	224-629-0768
Schmidt	Cindy	Sky Clean LLC	16528 Zausa Dr	Crest Hill	IL	60403	815-690-0061
Sedaros	Adel	Sedaros Cleaning Service LLC	15795 E 13 Mile Rd	Fraser	MI	48026	(586) 365-9621
Simpson	Audley	Simpson's Commercial Cleaning Pro LLC	1705 Arbor Lane	Crest Hill	IL	60403	60403
Singletary	LaMonte	Today's Future	8007 W. Beckett Ave	Milwaukee	WI	53218	262-744-2745
Smith	Brittany	Sumwin	9622 Rutland	Detroit	Mi	48227	(248) 929-2526
Smith	Randy	R. Smith and Associates LLC	29653 Warner Dr	Warren	MI	48093	(313) 646-3530
Sorych	Valentyna	Pristine Maintenance Service Inc.	732 Tewksbury Ct	Rochester Hills	MI	48307	(586) 489-6940
Spanier	Agnes	Spanier Maintenance Services, Inc.	1 Hartford Ct	Algonquin	IL	60102	847-204-6576
Steans	Sylvester	Steans Cleaning Sanitary	9227 Stahelin St	Detroit	MI	48228	(313) 685-5715



Sterling	Rachel	Sterling Services Cleaning Inc.	6542 Tealwood Dr.	Lisle	IL	60532	630-930-2484
Stokes	Jetwon	RAMI Group LLC	4417 Butterfield Rd.	Hillside	IL	60162	773-627-7256
Storck	Darren	Fox River Cleaning Services Inc	2810 Cadbury Circle	Lake in the Hills	IL	60156	224-333-0779
Stovall	Tiffani	Stovall Cleaning Solutions LLC	7510 Vintage Lane	Westland	MI	48332	(248) 866-0746
Strong	Andre	Strong Values Cleaning Services Inc.	374 Wilshire St.	Park Forest	IL	60466	708-351-7658
Suazo	Oscar	Extremecare, Inc.	1N003 Richard Ave	Wheaton	IL	60187	630-605-6201
Taylor	Ron	Swept Clean	21605 Mahon	Southfield	MI	48075	(313) 457-5784
Thrasher	Jeff	FTU LLC	750 S. St. Louis Ave	Chicago	IL	60624	847-594-2426
Triplett	Tmothy	Tripplett's Cleaning Service LLC	15432 Leanne	Redford Twp.	MI	48239	(313) 516-5631
Urbietta	Alicia	Jaguares Urbietta, Inc.	165 N. Jackson St	Elgin	IL	60123	224-856-9108
Valente	Lauro	Dreamers Commercial Cleaning	201 Jackson St	Aurora	IL	60505	630-401-2714
Vargas	Maria	Vargas Cleaning Service LLC	10431 W. Medill Ave.	Melrose Park	IL	60164	708-539-1737
Wargacki	Adam	Adams Cleaning Service, Inc.	5606 N. Ashland Ave. Apt 2	Chicago	IL	60660	773-817-4587
Watkins	Jerome	Limitless Refining Solutions	27506 Lorraine	Warren	MI	48093	(586) 553-1423
Watson	Brodderick	Clean Crew LLC	15045 Oakleigh	Southgate	MI	48195	(313) 559-7336
Wayrynen	Sean	Magic Touch Cleaning Services LLC	3371 Richmond	Lincoln Park	MI	48146	(313) 938-0555
Wiggins	Phillip	Wiggins and Sons SP	24306 Shady Oak Trail	Crete	IL	60417	708-743-7381
Wiggins	Quantis	KLQ Services, Inc.	3902 Old Renwick Rd	Joliet	IL	60435	317-341-2984
Woji	Isaac	Neat Janitorial Services, LLC	9719 W. Good Hope Road	Milwaukee	WI	53224	414-315-7435
Zugic	Milanka	MZ Cleaning LLC	6174 Knoll Lane	Willowbrook	IL	60527	773-791-7836

**EXHIBIT D**  
**TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**Sandalstone Ventures, Inc**  
d/b/a  
**Vanguard Cleaning Systems of Southeast Wisconsin**

Independent Auditor's Report  
and  
Audited Financial Statements  
For the Year Ended

December 31, 2020, 2019 and 2018



**FPM & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Directors and Shareholders of  
Sandalstone Ventures, Inc.  
dba Vanguard Cleaning Systems of Southeast Wisconsin  
Greenfield, WI

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sandalstone Ventures, Inc. which comprise the balance sheet as of December 31, 2020, 2019 and 2018, and the related statements of income and changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sandalstone Ventures, Inc. as of December 31, 2020, 2019 and 2018, 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.

*Sanders @FPM*

Albuquerque, NM  
December 28, 2021

**SandalStone Ventures Inc**  
**d/b/a**  
**Vanguard Cleaning Systems of**  
**Southeast Wisconsin**  
Balance Sheet  
December 31,

	2020	2019	2018
<b>Assets</b>			
Current Assets:			
Cash	\$ 212,921	\$ 185,061	\$ 150,530
Billings Receivable (Net)	142,140	115,499	125,289
Notes Receivable (Net)	19,601	45,537	53,913
Deposits	1,375	1,375	1,375
Other Current Assets	1,600	10,421	4,118
<b>Total Current Assets</b>	<b>\$ 377,637</b>	<b>\$ 357,893</b>	<b>\$ 335,225</b>
Non-Current Assets:			
Fixed Assets (Net)	98,166	32,431	27,905
Intangible Assets (Net)	91,375	99,875	108,375
Notes Receivable (Net)	16,930	34,173	35,792
<b>Total Noncurrent Assets</b>	<b>206,471</b>	<b>166,479</b>	<b>172,072</b>
<b>Total Assets</b>	<b>\$ 584,108</b>	<b>\$ 524,372</b>	<b>\$ 507,297</b>
<b>Liabilities and Equities</b>			
Current Liabilities:			
Accounts Payable	\$ 19,464	\$ 8,573	\$ 8,674
Payroll Payable	3,942	4,393	3,472
Franchisee Payable	156,538	128,997	125,120
Sales Taxes Payable	1,661	1,008	960
Notes Payable - Current	7,793	6,720	6,144
Unearned Revenues	9,533	14,667	12,400
Income Taxes Payable	-	-	-
<b>Total Current Liabilities</b>	<b>\$ 198,931</b>	<b>\$ 164,358</b>	<b>\$ 156,770</b>
Long-Term Liabilities:			
Unearned Revenues	\$ 14,467	\$ 29,533	\$ 22,600
Notes Payable	40,161	8,463	16,082
401(k) Payable	18,046	18,046	-
<b>Total Long-Term Liabilities</b>	<b>\$ 72,674</b>	<b>\$ 56,042</b>	<b>\$ 38,682</b>
<b>Total Liabilities</b>	<b>\$ 271,605</b>	<b>\$ 220,400</b>	<b>\$ 195,452</b>
Capital Stock	293,000	293,000	293,000
Additional Paid in Capital	27,500	-	-
Retained Earnings	(7,997)	10,972	18,845
<b>Stockholder's Equity</b>	<b>\$ 312,503</b>	<b>\$ 303,972</b>	<b>\$ 311,845</b>
<b>Total Liabilities and Equities</b>	<b>\$ 584,108</b>	<b>\$ 524,372</b>	<b>\$ 507,297</b>

See Accountant's Audit Report

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

**SandalStone Ventures Inc**  
**d/b/a**  
**Vanguard Cleaning Systems of**  
**Southeast Wisconsin**  
**Statements of Income and**  
**Changes in Stockholder's Equity**  
**For the Year Ended December 31,**

	2020	2019	2018
Income			
Franchise Sales	\$ 24,649	\$ 75,237	\$ 25,591
Franchise Services	<u>594,143</u>	<u>560,941</u>	<u>553,041</u>
Total Income From Operations	\$ 618,792	\$ 636,178	\$ 578,632
Cost of Sales			
Consumable Supplies	<u>55,389</u>	<u>71,331</u>	<u>74,597</u>
Total Cost of Sales	55,389	71,331	74,597
Gross Profit	\$ 563,403	\$ 564,847	\$ 504,035
Expenses			
Amortization and Depreciation	\$ 21,218	\$ 14,056	\$ 24,439
General and Administrative	<u>567,007</u>	<u>569,748</u>	<u>548,549</u>
Total Expenses	\$ 588,225	\$ 583,804	\$ 572,988
Income From Operations	\$ (24,822)	\$ (18,957)	\$ (68,953)
Non-operating Income and Expenses	5,853	9,431	11,137
Net Income before taxes	(18,969)	(9,526)	(57,816)
Income taxes	-	1,653	(12,141)
Stockholder's Equity beginning of period	303,972	311,845	383,830
Additional Paid in Capital	27,500	-	(2,028)
Stockholder's Equity end of period	\$ 312,503	\$ 303,972	\$ 311,845

See Accountant's Audit Report

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

**SandalStone Ventures Inc**  
**d/b/a**  
**Vanguard Cleaning Systems of**  
**Southeast Wisconsin**  
**Statement of Cash Flows**  
**For the Year Ended December 31,**

	2020	2019	2018
<b>Cash Flows From Operating Activities</b>			
Net Income (Loss)	\$ (18,969)	\$ (7,873)	\$ (69,957)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	\$ 21,218	\$ 14,056	\$ 24,439
Decrease (Increase) in billings receivable	(26,641)	9,790	(16,481)
Decrease (Increase) in notes receivable	43,179	9,995	56,694
Decrease (Increase) in other current assets	8,821	(6,303)	(1,495)
Increase (Decrease) in accounts payable	10,891	(101)	(2,087)
Increase (Decrease) in payroll payable	(451)	921	(23,488)
Increase (Decrease) in Franchisee payable	27,541	3,877	20,115
Increase (Decrease) in taxes payable	653	48	(21,548)
Increase (Decrease) of unearned revenues	(20,200)	9,200	35,000
<b>Cash Provided by Operating Activities</b>	<b>\$ 46,042</b>	<b>\$ 33,610</b>	<b>\$ 1,192</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of fixed assets	<u>\$ (78,453)</u>	<u>\$ (10,082)</u>	<u>\$ -</u>
<b>Cash Provided by Investing Activities</b>	<b>\$ (78,453)</b>	<b>\$ (10,082)</b>	<b>\$ -</b>
<b>Cash Flows From Financing Activities</b>			
Increase (Decrease) in notes payable	32,771	(7,043)	(6,701)
Increase (Decrease) in 401(k) Liability	-	18,046	-
Additional Paid in Capital	<u>\$ 27,500</u>	<u>\$ -</u>	<u>\$ (2,028)</u>
<b>Cash Provided by Financing Activities</b>	<b>\$ 60,271</b>	<b>\$ 11,003</b>	<b>\$ (8,729)</b>
Net increase (decrease) in cash and cash equivalents	27,860	34,531	(7,537)
Beginning cash and cash equivalents	<u>185,061</u>	<u>150,530</u>	<u>158,067</u>
<b>Ending cash and cash equivalents</b>	<b>\$ 212,921</b>	<b>\$ 185,061</b>	<b>\$ 150,530</b>

See Accountant's Audit Report

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

## SandalStone Ventures, Inc.

dba/

### Vanguard Cleaning Systems of Southeast Wisconsin

Notes to Financial Statements

for the Year ended December 31, 2020, 2019 and 2018

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#### Note 1. Organization and Purpose

SandalStone Ventures, Inc. (the Company) is a corporation organized under the laws of the state of Wisconsin and is the Southeast Wisconsin Master Franchise of Vanguard Cleaning Systems, Inc. As a corporation, each shareholder's liability is limited to his/her investment in the company.

Vanguard Cleaning Systems, Inc., a California corporation with headquarters in San Mateo, California, is an international franchisor of a business system for conducting and developing independent commercial cleaning services businesses in the United States and Canada. The corporation sells *master franchises* which license a master franchise to sub-franchise the business system and the use of the Vanguard Cleaning Systems name and branding to independently owned and operated *unit* franchises.

SandalStone Ventures, Inc. acquired the Southeast Wisconsin master franchise in October of 2011. As a *master franchise*, the Company has two revenue streams: (1) It markets *unit* franchise opportunities to local sub-franchisees who meet corporate qualifications to operate a commercial cleaning and janitorial service, and (2) it provides administrative services to the *unit* franchisees including billing and collection and sales of equipment and supplies.

#### Note 2. Summary of Significant Accounting Policies

The significant accounting policies followed by SandalStone Ventures, Inc. are described below to enhance the usefulness of the financial statements to the reader.

- a. *Reporting Entity* – The accompanying financial statements present the activities of SandalStone Ventures, Inc. which is the Southeast Wisconsin Master Franchise of Vanguard Cleaning Systems, Inc. It is governed by the board of directors of the Company who have authority to make decisions, designate management, and significantly influence operations. The board is accountable for fiscal matters of SandalStone Ventures, Inc. These financial statements include all activities over which the Company is responsible. They do not and are not intended to present any information regarding Vanguard Cleaning Systems, Inc. as a whole.
- b. *Basis of Accounting and Financial Statement Presentation* - The term *basis of accounting* is used to determine *when* a transaction or event is recognized on the Company's operating statement. The Company uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting principles generally accepted in the United States of America require that revenues and expenses be distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Company's principle ongoing operations. Operating expenses include the costs associated with carrying out the duties of the Company, administrative expenses and depreciation of capital assets. Revenues and expenses that do not meet these definitions are reported as non-operating revenues and expenses.



- c. *Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- d. *Compensated Absences* – The Company provides its employees with certain compensated absences as part of its benefits package. Management has omitted the cost associated with compensated absences as the amount cannot be reasonably estimated.
- e. *Cash and Cash Equivalents* – Cash and cash equivalents consists solely of demand deposits at banks. All deposits are under the Federal Deposit Insurers Corporation's (FDIC) threshold for liability. For the purpose of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.
- f. *Billings and Notes Receivable* – Billings receivable represent amounts that have been billed on behalf of the sub-franchise units for services they performed to their customers and are billed and collected by the Company. They are carried at invoiced amounts less an estimate made for doubtful accounts. Management makes its estimates based on historical experience. Billings receivable are deemed to be uncollectible if after reasonable time and efforts the account remains unpaid.

Notes receivable are carried at original contracted amount less an estimate made for doubtful accounts. Management makes its estimates based on historical experience. Notes receivable are deemed to be uncollectible if the franchisee ceases to conduct business. (See Note 3) In general, the notes are collected over 6 to 48 months and bear a 12% annual interest rate. (See Note 8)

- g. *Property and Equipment* – Property and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line mid-month method.
- h. *Intangible Assets* – The intangible asset consists of the Master Franchise agreement. The agreement was signed in October, 2011 and is amortized over its life using the straight-line mid-month method of amortization. Amortization for tax purposes could vary.
- i. *Advertising Costs* – The Company charges the costs of Advertising to expense as incurred. Advertising expense included in operating expenses for the year ended December 31, 2020, 2019 and 2018 were \$17,209, \$22,510 and \$19,741.
- j. *Income Taxes* – The Company follows Accounting Standards Codification Topic 740 *Income Taxes* to account for uncertain tax positions. Management has concluded that the company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Tax years 2020, 2019 and 2018 are still subject to examination by taxing authorities.

The Company is subject to state and local sales and use taxes. An appropriate provision for these taxes has been made in the financial statements.

- k. *Revenue Recognition* – As stated in Note 1 the Company has two revenue streams. It markets *unit* franchise opportunities to local sub-franchises. These franchise license fees are considered to be earned evenly over the life of the franchise contract, typically five to ten years. The Company provides an option to finance a portion of these costs. A down payment is due at signing. (See Note 7)

The Company's second revenue stream is to provide support services to the sub-franchisees in the form of marketing, billing and collections, insurance, products and supplies and customer support and relations. The Company charges its sub-franchisees royalty and business support service fees for these services. The fee is considered to be earned when the service is rendered, and payment is due at that time.

### Note 3. Billings and Notes Receivable

As stated in Note 2, billings receivable and notes receivable are carried at their face amount less an estimate made for doubtful accounts. At December 31, these amounts were:

	2020	2019	2018
Billings Receivable			
Total Balance	\$ 143,576	\$ 116,665	\$ 126,574
Less: Allowance for Uncollectible	<u>(1,436)</u>	<u>(1,166)</u>	<u>(1,285)</u>
	142,140	\$ 115,499	\$ 125,289
Notes Receivable			
Total Balance	\$ 36,900	\$ 80,515	\$ 90,611
Less: Allowance for Uncollectible	<u>(369)</u>	<u>(805)</u>	<u>(906)</u>
	\$ 36,531	\$ 79,710	\$ 89,705
Current portion	19,601	45,537	53,913
Non-current portion	16,930	34,173	35,792

Beginning receivables at January 1, 2018 were \$108,808 of billings receivable and \$146,399 of notes receivable.

### Note 4. Capital Assets

Management has adopted a policy of capitalizing assets with an initial individual cost of \$500 or more and expensing assets with an initial individual cost of less than \$500. Capital assets of the Company consist of computers, other office furniture, fixtures, and equipment, and the intangible asset franchise fee to Vanguard Cleaning Systems, Inc. Tangible capital assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method and mid-month convention of depreciation. The intangible asset represents the master franchise agreement which is amortized over the life of the agreement using the straight-line method and mid-month convention. At December 31, the cost of these capital assets and the associated accumulated depreciation are as follows:

	2020	2019	2018
Equipment and Furnishings	\$ 138,945	\$ 60,492	\$ 59,652
Intangible Assets	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>
Total	308,945	\$ 230,492	\$ 229,652
Less Accumulated Depreciation and Amortization	<u>(119,404)</u>	<u>(98,186)</u>	<u>(93,372)</u>
	\$ 189,541	\$ 132,306	\$ 136,280

Depreciation for income tax purposes may differ from the above amounts.

See Accountant's Audit Report

#### Note 5. Franchisor Operations

The Company operates as a franchisor of Vanguard Cleaning Systems. The Company does not own directly or indirectly any franchise outlets. At December 31, the Company had the following franchise outlets in operation:

	2020	2019	2018
Beginning outlets in operation	29	25	20
Less franchises ceasing operations	(2)	(2)	0
New franchises	<u>1</u>	<u>6</u>	<u>5</u>
Ending outlets in operation	28	29	25

#### Note 6. Leases

At the date of these financial statements, leases that transfer substantially all the risks and benefits of ownership are capital leases. Other leases are operating leases. Capital leases will be included in property and equipment and will be depreciated over the life of the asset. Operating leases are expensed in the period incurred. In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification Topic 842, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020 for non-public companies. Management is currently evaluating the impact of the pending adoption of the new standard on the Company's financial statements.

The Company has entered into a lease agreement for its office space. The lease has passed its initial term and has been held over on a month to month basis. As such there is no lease obligation.

#### Note 7. Revenues and Unearned Revenues

As stated in Note 2, the Company recognizes revenue when services are provided or when sales of product are invoiced. Primary sources of operating revenues are sales of franchises to independent business persons and support services to these franchises including, billing, collections, marketing, customer support and relations, and sales of equipment and supplies to these franchises. Unit franchises elect their level of franchise from several available plans. The Company commits to providing a minimum amount of revenue sources to the unit franchisees.

Unearned revenues consist of franchise fees that have been billed to franchise sub-units, but where the initial term of the arrangement has not yet concluded. These revenues are considered earned uniformly over the initial five-year franchise agreement. Revenues that have been billed and are expected to be earned are as follows:

	2020	2019	2018
Within one year	\$ 9,533	\$ 14,667	\$ 12,400
Subsequent years	<u>14,467</u>	<u>29,533</u>	<u>22,600</u>
Total	\$ 24,000	\$ 44,200	\$ 35,000

#### Note 8. Concentrations of Credit Risk

The Company has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist of notes receivables. The Company's receivables are generally unsecured; however, credit risk is mitigated by the volume of franchises comprising the Company's note receivable base.

Note 9. Subsequent Events

The Company has evaluated subsequent events through December 28, 2021, the date these financial statements were available to be issued. There were no material subsequent events that require recognition in these financial statements.

VANGUARD CLEANING SYSTEMS, INC.

DECEMBER 31, 2020, 2019, AND 2018

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Vanguard Cleaning Systems, Inc.

## Independent Auditors' Report and Financial Statements

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A Century Strong

## **Independent Auditors' Report**

THE BOARD OF DIRECTORS  
VANGUARD CLEANING SYSTEMS, INC.  
San Mateo, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **VANGUARD CLEANING SYSTEMS, INC. (the Company)** which comprise the balance sheet as of December 31, 2020, 2019 and 2018, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended and the related notes to the financial statements.

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

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

### **Auditors' 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Vanguard Cleaning Systems, Inc. as of December 31, 2020, 2019 and 2018, 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.

Hood & Strong LLP

San Jose, California  
March 23, 2021



# Vanguard Cleaning Systems, Inc.

## Balance Sheet

<i>December 31,</i>	2020	2019	2018
<b>Assets</b>			
<b>Current Assets:</b>			
Cash	\$ 473,462	\$ 219,673	\$ 2,098,833
Money market fund	304,556	501,991	-
Royalties receivable	1,018,450	934,003	-
Notes receivable - Master Franchise	2,000	28,499	27,999
Prepaid expenses and other current assets	605,948	396,909	347,619
Total current assets	2,404,416	2,081,075	2,474,451
<b>Property and Equipment, net</b>	207,830	197,491	208,198
<b>Other Non-Current Assets:</b>			
Notes receivable - Master Franchise, net of current portion	-	-	16,500
Other assets	12,204	11,227	11,227
Total other non-current assets	12,204	11,227	27,727
Total Assets	\$ 2,624,450	\$ 2,289,793	\$ 2,710,376
<b>Liabilities and Stockholder's Equity</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	\$ 278,738	\$ 557,826	\$ 608,768
Deferred revenue	210,366	204,116	-
Total current liabilities	489,104	761,942	608,768
<b>Deferred Revenue, net of current portion</b>	1,142,103	1,327,469	-
<b>Stockholder's Equity:</b>			
Common stock, no par value, 20,000 shares authorized, and 9,000 shares issued and outstanding	70,000	70,000	70,000
Retained earnings	923,243	130,382	2,031,608
Total Stockholder's Equity	993,243	200,382	2,101,608
Total Liabilities and Stockholder's Equity	\$ 2,624,450	\$ 2,289,793	\$ 2,710,376

See accompanying notes to financial statements.

## Vanguard Cleaning Systems, Inc.

### Statement of Income

<i>For the years ended December 31,</i>	2020	2019	2018
<b>Revenues:</b>			
Master franchise sales	\$ 204,116	\$ 204,116	\$ 55,000
Royalties and fees	8,292,908	8,100,450	7,305,714
Other revenues	1,476,353	1,166,975	1,080,057
	9,973,377	9,471,541	8,440,771
<b>Operating Expenses</b>	4,444,892	5,097,396	4,339,075
Net income from operations	5,528,485	4,374,145	4,101,696
<b>Other Income:</b>			
Interest income	2,565	2,042	263
Other income	20,945	-	-
	23,510	2,042	263
Net income before provision for income taxes	5,551,995	4,376,187	4,101,959
<b>Provision for Income Taxes</b>	(59,134)	(65,729)	(63,660)
<b>Net Income</b>	\$ 5,492,861	\$ 4,310,458	\$ 4,038,299

See accompanying notes to financial statements.

## Vanguard Cleaning Systems, Inc.

### Statement of Changes in Stockholder's Equity

*For the years ended December 31, 2020, 2019, 2018*

	Common Stock		Retained Earnings	Total
	Number	Amount		
<b>Balance, December 31, 2017</b>	9,000	\$ 70,000	\$ 1,793,309	\$ 1,863,309
Net income	-	-	4,038,299	4,038,299
Cash distributions	-	-	(3,800,000)	(3,800,000)
<b>Balance, December 31, 2018</b>	9,000	70,000	2,031,608	2,101,608
Cumulative effect of change in accounting principle	-	-	(911,684)	(911,684)
Net income	-	-	4,310,458	4,310,458
Cash distributions	-	-	(5,300,000)	(5,300,000)
<b>Balance, December 31, 2019</b>	9,000	70,000	130,382	200,382
Net income	-	-	5,492,861	5,492,861
Cash distributions	-	-	(4,700,000)	(4,700,000)
<b>Balance, December 31, 2020</b>	9,000	\$ 70,000	\$ 923,243	\$ 993,243

See accompanying notes to financial statements.

# Vanguard Cleaning Systems, Inc.

## Statement of Cash Flows

<i>For the years ended December 31,</i>	2020	2019	2018
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 5,492,861	\$ 4,310,458	\$ 4,038,299
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	74,770	100,255	70,547
Share-based compensation expense	(14,554)	11,691	47,018
Increase in assets:			
Royalties receivable	(84,447)	(124,986)	-
Prepaid expenses and other current assets	(209,039)	(49,290)	(21,368)
Other assets	(977)	-	-
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(264,534)	(62,633)	63,726
Deferred revenue	(179,116)	(189,116)	-
Net cash provided by operating activities	4,814,964	3,996,379	4,198,222
<b>Cash Flows from Investing Activities:</b>			
Redemption of money market fund	197,435	-	-
Purchase of money market fund	-	(501,991)	-
Purchase of equipment	(85,109)	(89,548)	(110,964)
Decrease in notes receivable - Master franchise	26,499	16,000	33,946
Net cash used provided (used) by investing activities	138,825	(575,539)	(77,018)
<b>Cash Flows from Financing Activities:</b>			
Stockholder distributions	(4,700,000)	(5,300,000)	(3,800,000)
Net cash used by financing activities	(4,700,000)	(5,300,000)	(3,800,000)
<b>Net Increase (Decrease) in Cash</b>	<b>253,789</b>	<b>(1,879,160)</b>	<b>321,204</b>
<b>Cash, beginning of period</b>	<b>219,673</b>	<b>2,098,833</b>	<b>1,777,629</b>
<b>Cash, end of period</b>	<b>\$ 473,462</b>	<b>\$ 219,673</b>	<b>\$ 2,098,833</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid during the year for:			
Income taxes	\$ 59,134	\$ 65,729	\$ 63,660

See accompanying notes to financial statements.

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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### Note 1 - Nature of Business and Organization:

Vanguard Cleaning Systems, Inc. (the Company) was incorporated in 1984 under the laws of the State of California. The Company operates a franchise business, licensing certain trademarks and its business system to independent master franchise businesses and providing business development and support services to them. The Company grants these businesses master franchise agreements, which allow them to award sub franchises to Vanguard Cleaning Systems® unit franchises in prescribed geographical areas in the U.S. and Canada. Vanguard Cleaning Systems unit franchisees are independently owned and operated commercial cleaning services businesses. Neither the Company nor its master franchisees perform commercial cleaning services. Master franchisees pay the Company an initial franchise fee, and royalties based on their master franchise business revenues.

### Note 2 - Significant Accounting Policies:

a. Method of Accounting

The Company uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for financial statement reporting purposes and the cash basis of accounting for income tax reporting purposes.

b. Cash

For purposes of the statement of cash flows, cash is defined as cash on hand and demand deposits at banks.

c. Royalties Receivable

Royalties receivable are contractual agreements calculated based on the Master Franchisee's monthly business volume. An allowance for uncollectible receivables is appropriately considered depending upon prior history and management's assessment of collectability. Management has determined that the royalties receivable is fully collectible as of December 31, 2020, 2019 and 2018, and therefore has not established an allowance.

d. Fair Value of Financial Instruments

The carrying value of financial instruments not otherwise disclosed herein approximates fair value due to the short-term nature of these financial instruments.

The Company carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value:

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability that are not corroborated by market data.

In determining the appropriate levels, the Company performed an analysis of the assets and liabilities. Any assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

e. Money Market Fund

The money market fund is recorded at fair value based on quoted market prices for identical assets in active markets, and is classified as Level 1 within the fair value hierarchy.

f. Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives, 3 to 7 years, using principally the straight-line method. Leasehold improvements are stated at cost and are amortized on a straight-line basis over the shorter of their estimated useful life or the lease term.

g. Income Taxes and Distributions

The Company has elected to be taxed as an S-Corporation under the applicable sections of the Internal Revenue Code and California regulations. Accordingly, no provision has been made for federal income taxes since the federal tax attributes are the liability of the individual stockholder.

A provision is recorded for state taxes based upon the minimum statutory rates and amounts for an S-Corporation.

Distributions may be declared periodically in amounts that will cover the individual income tax liabilities arising from the taxable income of the Company.

The Company follows Accounting Standards Codification Topic 740 *Income Taxes* to account for uncertain tax positions and management has concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements.

h. Deferred Compensation

The Company recognizes compensation expense for its Phantom Stock Appreciation Plan using the intrinsic value method whereby compensation expense is recognized over the vesting period based on the difference between the calculated value of the underlying stock (as defined by the plan document) and the exercise price at the end of each year.

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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i. Advertising Costs

The Company charges the production costs of advertising to expense as incurred. Advertising expense included in operating expenses for the periods ended December 31, 2020, 2019, and 2018 was immaterial.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

k. Recent Accounting Pronouncements

*Not Yet Adopted*

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This ASU requires lessees to recognize right-to-use assets and leases liabilities for all leases not considered short-term leases. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of this ASU on its financial statements.

l. Subsequent Events

The Company has evaluated subsequent events from December 31, 2020 through March 23, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

**Note 3 - Revenues:**

The Company adopted FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers beginning in fiscal year 2019 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catchup adjustment upon adoption. As such, the comparative information in the Company's 2018 financial statements has not been restated and continues to be reported under the accounting standards in effect for that period. The \$911,684 cumulative adjustment recorded upon adoption of ASC Topic 606 consisted of a decrease to stockholder's equity as of December 31, 2018 with a corresponding \$809,017 increase to royalties receivable and \$1,720,701 increase to deferred revenue within current and non-current liabilities to adjust the royalty fees for fees earned through December 31, 2018 and unearned Master franchise fees for the fees received through the end of 2018 that would have been deferred and recognized over the term of the Master franchise agreement if the new guidance had been applied prior to December 31, 2018.

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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Revenues consist primarily of royalties, initial and renewal Master franchise fees, development area protection and other revenue. Performance obligations under Master franchise agreements consist of: (1) development area protection, (2) a Master franchise license, including a license to use the Vanguard Cleaning Systems® brand and marks and (3) ongoing services, such as development of proprietary software, advertising and marketing materials. These performance obligations are highly interrelated, so they are not considered to be individually distinct. They are accounted for as a single performance obligation, which is satisfied over time by providing a right to use the intellectual property over the term of each Master franchise agreement. Initial and renewal Master franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement, which is usually 20 years, unless the Master franchise agreement is terminated early, in which case the remaining initial or renewal franchise fee is fully recognized in the period of termination.

The Company recognizes commissions paid to franchise brokers upon the sale of a new Master franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. These commissions are netted with deferred revenue (contract liabilities) in the accompanying balance sheet and are amortized over the term of the related agreement.

Royalties are calculated as a percentage of Master Franchisees' monthly business volume, generally ranging from 4% to 5%. The initial Master franchise fee is payable upon execution of the Master franchise agreement and the renewal fee, if any, is due and payable at the expiration of the initial term of the Master franchise agreement. Royalties and fees represent volume-based royalties that are related entirely to the performance obligation under the Master franchise agreements and are recognized as Master Franchisees' volume occur.

Under the Master franchise agreement, the Company is obligated to offer various support services/programs for use by the Master Franchisees in their business operations. Other revenue related to this performance obligation is received as reimbursement for advancing Master Franchisees' pro rata share of such services/program costs.

### **Note 4 - Master Franchise Notes Receivable:**

In connection with the sales of certain Master franchises, the Company will enter into a note receivable agreement with the purchaser. The interest rate on these notes ranges from 0% to 5% per annum, with the notes maturing at various dates through 2020. Management has determined that the Master franchise notes receivable do not represent a significant financing component, and are fully collectible as of December 31, 2020, 2019 and 2018.



# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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### Note 5 - Property and Equipment:

Property and equipment consists of the following as of December 31:

	2020	2019	2018
Office equipment	\$ 197,489	\$ 172,780	\$ 170,010
Furniture and fixtures	44,359	44,359	44,359
Software	385,725	325,325	252,525
Leasehold improvements	139,012	139,012	125,015
	<hr/>	<hr/>	<hr/>
	766,585	681,476	591,909
Less: Accumulated depreciation and amortization	(558,755)	(483,985)	(383,711)
	<hr/>	<hr/>	<hr/>
	\$ 207,830	\$ 197,491	\$ 208,198

Depreciation and amortization expense totaled \$74,770, \$100,255, and \$70,547 for 2020, 2019, and 2018, respectively.

### Note 6 - Contract Liabilities:

Contract liabilities consist of deferred revenue resulting from initial and renewal Master franchise fees, as reduced by direct broker commissions to obtain the specific contract. These contract liabilities are included in deferred revenue in the balance sheet.

The following table illustrates the estimated revenues expected to be recognized in the future related to deferred franchise fees as of December 31, 2020:

Year ended December 31,	
2021	\$ 210,366
2022	205,991
2023	186,898
2024	179,795
2025	145,184
Thereafter	424,235
	<hr/>
Total	\$ 1,352,469

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

### Note 7 - Leases:

The Company leases its office space and a vehicle under operating leases expiring at various times through February 2023. Rent expense for the years ended December 31, 2020, 2019, and 2018 was \$153,094, \$152,197, and \$154,653, respectively.

Future minimum lease payments under these leases are as follows:

Year ended December 31,		
2021	\$	121,800
2022		110,400
2023		18,400
Total	\$	250,600

### Note 8 - Stock Appreciation Plan:

On March 16, 2004, the Company adopted the Vanguard Cleaning Systems, Inc. Phantom Stock Appreciation Plan (the Plan). The Plan allows for the award of Phantom Stock units to key employees upon approval of the Board of Directors. Participants are credited with units of Phantom Stock, each unit representing one underlying share of Company common stock, and are entitled to an amount equal to the appreciation in common stock share price (as defined in the plan document) from the date of grant. The units are immediately exercisable and vest as defined in the plan document over seven years.

The following table summarizes the Company's Phantom Stock unit activity during the years ended December 31, 2020, 2019 and 2018:

	Phantom Units Outstanding and Exercisable	Weighted Average Exercise Price	Phantom Units Vested
Balance at December 31, 2017	360	\$ 1,621.51	246
Balance at December 31, 2018	360	\$ 1,621.51	281
Granted	90	3,039.07	
Balance at December 31, 2019	450	\$ 1,905.02	312
Exercised	(90)	444.45	
Granted	90	3,036.43	
Balance at December 31, 2020	450	\$ 2,423.42	271

# Vanguard Cleaning Systems, Inc.

## Notes to Financial Statements

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Total compensation and consulting expense to be recognized over the remaining vesting period is \$3,453. Compensation and consulting expense recognized was \$(14,554), \$11,691, and \$47,018, in 2020, 2019 and 2018, respectively.

**Note 9 - Retirement Plan:**

The Company sponsors a qualified defined contribution 401(k) Plan for the benefit of eligible employees. The plan covers all employees meeting certain age and service requirements. Employer contributions to the plan are discretionary and employees may make voluntary contributions subject to plan and Internal Revenue Service limits. The Company made no contributions to the plan in 2020, 2019 and 2018.

**Note 10 - Related Party Transactions:**

The Company leases office space from a related party controlled by the sole stockholder. Total rent paid to the related party for the period ended December 31, 2020, 2019 and 2018 was \$110,400, \$110,400, and \$106,376, respectively.

The Company and RR Franchising, Inc. (RRF) are separate and distinct corporations with different shareholder structures but have one significant shareholder in common.

The Company has a Master Franchise Agreement with RRF. Revenue earned under this agreement amounted to \$579,189, \$631,258, and \$571,880 for 2020, 2019 and 2018, respectively.

**Note 11 - Concentrations of Credit Risk:**

The Company has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist of cash and money market fund. At December 31, 2020, the Company held cash in excess of federally insured limits. Investments in money market funds in general are exposed to various risks such as credit and overall market volatility. To address these risks, the Company maintains a conservative investment policy.

**EXHIBIT E**

**TO THE DISCLOSURE DOCUMENT**

**LIST OF FORMER UNIT FRANCHISEES OF SE WISCONSIN**

**LEAVING THE VANGUARD SYSTEM IN THE YEAR ENDED DECEMBER 31, 2020**

**List of Former Unit Outlets of IL-Chicago**

**List of Former Unit Outlets of MI-Detroit**

**List of Former Unit Outlets of WI-Milwaukee**

<b>Last Name</b>	<b>First Name</b>	<b>Company Name</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
Adam	Karl		20109 Woodward St.	Clinton Township,	MI	48035	(586) 222-8250
Butler	Craig		419 Almont Ave.	Almont	MI	48302	(810) 247-3397
Careaga	Juan	Juan Careaga SP		Northlake	IL	60164	847-463-0192
Chapa	Maria	Carmen Rodriguez Cleaning Inc.		Yorkville	IL	60560	630-429-1697
Chenault	Chris	Kleen Queen's Cleaning Service Corp.	70274 Sunny Brook Lane	Richmond	MI	48062	(313) 801-7111
Escamilla	F. Javier	Escamilla Management Corporation		Aurora	IL	60605	630-870-0884
Gaines	DeBoarh	Lilly Commerical Cleaning LLC	1861 Windwood Drive Apt 202	Rochester Hills	MI	48307	(313) 600-5554
Gray	Alicia	Nannies onthe go 248LLC	23170 Cloverlawn	Oak Park	MI	48237	(248) 670-4365
Hohentanner	Scott	Hoentanner & Associates Inc.	45697 Bristol Circle	Novi	MI	48377	(248) 924-1304
Loving	James	X-tra hands Cleaning	12162 Stoepel	Detroit	MI	48204	(248) 595-6868
Moore	Christopher	Den of Fox's LLC	8471 Wahrmen	Romulus	MI	48174	(734) 351-6459
Onyskiv	Alex	Alex's Cleaning Concepts	14480 A. Jackson Ct	Elm Grove	WI	53122	262-385-1822
Pace	Gerald	3-Way Cleaning	30219 Pennington	Novi	MI	48377	(248) 464-4686
Paljusevic	Eleonora	The Three Of Us LLC	6151 Orchard Lake	West Bloomfield	MI	48322	(248) 568-3586
Richardson	Tatyana	TK Cleaning Company		Lake in the Hills	IL	60156	815-451-5785
Tabb	Tabia	T Tabb Commercial Cleaning	21749 Arrowhead	St. Clair Shores	MI	48082	(313) 575-0892
Taylor	Tim	TNT Clean Team	5440 Rochester Rd	Dryden	MI	48428	(810) 706-0885
Turner	DeRonnie	One Time Services	6340 Village Park Dr.	West Bloomfield	MI	48223	(248) 521-7096
Wells	DeAndre		2421 N. 53rd Street	Milwaukee	WI	53210	414-607-2588

**EXHIBIT F**  
**TO THE DISCLOSURE DOCUMENT**  
**STATE REGULATORS AND**  
**AGENTS FOR SERVICE OF PROCESS**

## STATE REGULATORS

### **California:**

Department of Financial Protection and Innovation  
One Sansome Street, Suite 600  
San Francisco, CA 94104

320 West 4<sup>th</sup> Street  
Los Angeles, CA 90013

2101 Arena Blvd.  
Sacramento, CA 95834

### **Hawaii:**

Department of Commerce and  
Consumer Affairs  
Business Registration Division  
P.O. Box 40  
Honolulu, HI 96810

### **Illinois:**

Office of the Attorney General  
500 South Second Street  
Springfield, IL 62706

### **Indiana:**

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

### **Maryland:**

Office of the Attorney General  
Division of Securities  
200 Saint Paul Place  
Baltimore, MD 21202-2020

### **Michigan:**

Consumer Protection Division  
Franchise Section  
Michigan Attorney General's Office  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, MI 48913

### **Minnesota:**

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198

### **New York:**

Office of the New York Attorney General  
Investor Protection Bureau  
Franchise Section  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8236 (phone)  
(212) 416-6042 (fax)

### **North Dakota:**

Office of Securities Commissioner  
600 East Boulevard, 5th Floor  
Bismarck, ND 58505

### **Rhode Island:**

Division of Securities  
Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex 69-1  
Cranston, RI 02920-4407

### **South Dakota:**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

### **Virginia:**

State Corporation Commission  
Division of Securities and  
Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, VA 23219

### **Washington:**

Department of Financial Institutions  
Securities Division  
P. O. Box 9033  
Olympia, Washington 98507-9033

### **Wisconsin:**

State of Wisconsin  
Office of the Commissioner of Securities  
4822 Madison Yards Way, North Tower  
Madison, WI 53705

## AGENTS FOR SERVICE OF PROCESS

### **California:**

California Commissioner of Financial Protection  
and Innovation  
Department of Financial Protection and Innovation  
One Sansome Street, Suite 600  
San Francisco, California 94104

### **Hawaii:**

Commissioner of Securities  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### **Illinois:**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### **Indiana:**

Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

### **Maryland:**

Securities Commissioner  
200 Saint Paul Place  
Baltimore, Maryland 21202-2020

### **Michigan:**

Department of Attorney General's Office  
Consumer Protection Division  
G. Mennen Williams Building  
525 W. Ottawa Street  
Lansing, Michigan 48913

### **Minnesota:**

Commissioner of Commerce  
85 7<sup>th</sup> Place E., Suite 280  
St. Paul, MN 55101

### **New York:**

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

### **North Dakota:**

Commissioner of Securities  
600 East Blvd., 5th Floor  
Bismarck, North Dakota 58505

### **Rhode Island:**

Director of Business Regulation  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex 69-1  
Cranston, RI 02920-4407

### **South Dakota:**

Director  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **Virginia:**

Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219

### **Washington:**

Director  
Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, WA 98501

### **Wisconsin:**

Administrator  
Department of Financial Institutions  
Division of Securities  
4822 Madison Yards Way, North Tower Madison,  
Wisconsin 53705



**EXHIBIT G**

**TO THE DISCLOSURE DOCUMENT**

**RENEWAL ADDENDUM TO THE FRANCHISE AGREEMENT**

**(Subject to Change by Franchisor)**

## Exhibit G

### RENEWAL ADDENDUM TO FRANCHISE AGREEMENT

#### (Current Form of Addendum; Subject to Change by Franchisor)

THIS Renewal Addendum (the “Addendum”) is made and entered into on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between SandalStone Ventures, Inc. (“Franchisor”) and \_\_\_\_\_ [an individual] [individuals] [a corporation] [a partnership] [a limited liability company] with a principal place of business located at \_\_\_\_\_ (hereinafter collectively called “Franchisee”).

WHEREAS, Franchisor and Franchisee have entered into the Franchise Agreement for a renewal franchise term (the “Franchise Agreement”) to replace the immediately preceding franchise agreement, which has expired (the “Expiring Agreement”), for Franchisee’s continued operation of a Vanguard Cleaning Systems® franchised business.

WHEREAS, capitalized terms in this Addendum have the same meanings as are given under the Franchise Agreement, unless otherwise provided in this Addendum.

NOW, THEREFORE, for and in consideration of the full performance of each of the promises, terms and conditions of this Addendum and the General Release of Claims by Franchisee attached as Exhibit 3 and granted as of the Effective Date, the parties agree as follows:

#### **1. CHANGES TO FRANCHISE AGREEMENT**

**A. Obligations Fulfilled:** Franchisee and Franchisor have entered into the Franchise Agreement for a renewal franchise term and, therefore, acknowledge and agree that:

- i. Franchisee has met the pre-operating commitments described in Section 2 of the Agreement and Franchisee is operating a VCS Business as of the Effective Date if this Agreement;
- ii. Franchisee is not required to attend, and Franchisor is not required to offer Franchisee an opportunity to participate in, the VCS Business System Program, as described in Section 3. A. 1. of the Franchise Agreement;
- iii. Franchisee shall not pay an initial franchise fee. Franchisee previously paid an initial franchise fee to Franchisor. ; and
- iv. The Manuals referenced in Section 6. B. of the Franchise Agreement were loaned by Franchisor to Franchisee under the Expiring Franchise Agreement and the loan will continue pursuant to the terms of the Franchise Agreement.

**B. Franchisee as a Business Entity:** If Franchisee has not already done so as of the Effective Date of this Addendum, Franchisee must form a Business Entity to operate the VCS Business as required by Section 2. B. iii) of the Franchise Agreement and maintain at least one employee, unless Franchisor consents otherwise in writing. Franchisor has an unrestricted right to grant or deny such a consent, as it deems appropriate and on a case by case basis.

#### **2. ADDITIONAL BUSINESS ASSIGNMENTS AND REFUNDS**

**A. Additional Business Commitments:** Franchisor and Franchisee acknowledge and agree that Franchisee is not due any Additional Business Account Assignments as of the Effective Date. If Franchisee has any outstanding amounts owed to Franchisor in connection with the Assignment of one or more Additional Accounts to Franchisee, the Account Assignment and Acceptance forms or other applicable agreements pertaining to such Account(s) is/are attached to this Addendum as Exhibit 1. Franchisor and Franchisee agree that for purposes of any agreement attached as Exhibit 1, the term, “Franchise Agreement,” shall refer to the “Franchise Agreement” referenced in the second paragraph of this Addendum.

**B. Refunds:** Franchisor and Franchisee acknowledge and agree that no refunds are due Franchisee under the Expiring Agreement, the Franchise Agreement, or otherwise, as of the Effective Date of this Agreement.

**C. No Obligation to Accept an Assignment of an Additional Business Account:** Franchisor and Franchisee further agree that throughout the term of this new Franchise Agreement Franchisee has no obligation to accept new Additional Business Account Assignments, if any are offered to Franchisee.

### **3. TERM AND FRANCHISE EXPIRATION**

**Term:** The Franchise Agreement and this Addendum are binding from the Effective Date for the renewal term of \_\_\_\_ (\_\_\_) years, unless earlier terminated in accordance with the Franchise Agreement. [Include as applicable: *Franchisee has no right to renew the Franchise Agreement at the expiration of the term of this Franchise Agreement and agrees that any renewal rights under the Expiring Franchise Agreement are satisfied with this renewal franchise term. Franchisee acknowledges and agrees that Franchisor has made no promise or representation as to any renewal or further extension of this franchise at the expiration of its term and Franchisee has no expectation of any such renewal.*]

### **4. PROMISSORY NOTES AND GUARANTEES**

**Continuing Obligations:** Franchisee and Franchisor have identified on Exhibit 2 any promissory notes payable by Franchisee to Franchisor as of the Effective Date. Franchisee and each undersigned Guarantor hereby ratifies and affirms the terms and obligations provided in such promissory notes and acknowledges that any personal guaranty provided in connection with the Expiring Franchise Agreement is continuing and remains in full force and effect and the obligations under and terms of such personal guaranty shall apply to this Agreement in the same manner and to the same extent that they applied to the Expiring Agreement. Franchisee and Guarantors will sign an additional personal guaranty in connection with the Franchise Agreement if so requested by Franchisor.

**5. FRANCHISEE REPRESENTATIONS**

**A. Franchise Ownership:** Franchisee warrants and represents that the following individuals own 100% of all interests in Franchisee’s Vanguard Cleaning Systems franchise and the franchised business and in Franchisee:

_____	_____
Print Name	Ownership Percentage
_____	_____
Print Name	Ownership Percentage
_____	_____
Print Name	Ownership Percentage

(Must total 100%)

**B. Disclosure Documents:** Franchisee warrants and represents that Franchisee has received, read and understood 1) a copy of Franchisor’s Franchise Disclosure Document with all exhibits at least fourteen (14) calendar days before signing any binding agreement or paying any money (whichever happened first), and 2) a copy of this Addendum, the Franchise Agreement and all other agreements complete and in form ready to sign at least seven (7) calendar days before signing any binding documents.

**6. GENERAL RELEASE OF CLAIMS**

**Franchisee Release of Claims:** In compliance with the renewal conditions required to be met by Franchisee under the Expiring Franchise Agreement, Franchisee and each Franchisee Owner will sign a general release of claims in form satisfactory to Franchisor (Exhibit 3 to this Addendum) at or before the execution of the Franchise Agreement and any applicable Addendum.

**7. EXTENSION OF EXPIRING FRANCHISE AGREEMENT**

**Renewal Delays:** If the Expiring Franchise Agreement had already expired before the Effective Date of this Addendum, Franchisor and Franchisee hereby confirm that they extended and have been prior to the Effective Date operating under the terms of the Expiring Franchise Agreement and that the Expiring Franchise Agreement has been in full force and effect and governing their relationship up to the Effective Date, notwithstanding any delay in entering into a renewal term under this Franchise Agreement.

**8. ADDENDUM GOVERNS**

**Effect of Addendum:** Except as expressly amended by this Addendum, the terms of the Franchise Agreement remain in full force and effect. In the event of any conflict with or inconsistency between the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control.

**9. ENTIRE UNDERSTANDING**

**Complete Agreement:** This Addendum and the Franchise Agreement (and all exhibits and addenda thereto) comprise the entire agreement between Franchisee and Franchisor with respect to the renewal of the Franchisee's Vanguard Cleaning Systems franchise. All contemporaneous and prior discussions, negotiations and representations concerning this matter are superseded by this Addendum and the Franchise Agreement; provided, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document that was furnished to Franchisee by Franchisor.

**Agreed and accepted by the undersigned. This Agreement is not effective until signed by an authorized representative of Franchisor.**

**FRANCHISOR:** \_\_\_\_\_

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

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

\_\_\_\_\_  
Title

\*\*\*\*\*

FRANCHISEE (Corp. or LLC)

\_\_\_\_\_  
(Legal Name of Franchisee Entity)

a \_\_\_\_\_  
Jurisdiction of Formation Corporation or LLC

By: \_\_\_\_\_  
Signature Title

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

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP  
OF FRANCHISEE

\_\_\_\_\_  
Signature

\_\_\_\_\_  
%

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
%

\_\_\_\_\_  
Printed Name

**EXHIBIT 1**

**OUTSTANDING ADDITIONAL ACCOUNT PAYMENT AGREEMENTS**

**(ATTACHED, IF ANY)**

**EXHIBIT 2**

**APPLICABLE PROMISSORY NOTES**

**(AS OF THE EFFECTIVE DATE, IF ANY)**

Note 1:

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

Balance as of the Effective Date of Addendum: \_\_\_\_\_

Monthly Installment Payment: \_\_\_\_\_

Note 2:

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

Balance as of the Effective Date of Addendum: \_\_\_\_\_

Monthly Installment Payment: \_\_\_\_\_

**EXHIBIT 3**

**FRANCHISEE RELEASE OF CLAIMS**



**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**GENERAL RELEASE AGREEMENT**  
**(Subject to Change by Franchisor)**

**EXHIBIT H**

**FRANCHISEE RELEASE OF CLAIMS**

**INCLUDE ONLY FOR RENEWING FRANCHISEES AND ATTACH THE RELEASE TO THE RENEWAL ADDENDUM AS AN EXHIBIT:**

In consideration of the Franchise Agreement (the “Franchise Agreement”) granted to \_\_\_\_\_ (“Franchisee”) by SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin (“Franchisor”) for a renewal term in connection with Franchisee’s Vanguard Cleaning Systems® franchised business, the waiver of the Initial Franchise Fee for such Franchise Agreement, for other good and valuable consideration and as required under the franchise agreement governing the expiring franchise term (the “Expiring Franchise Agreement”), Franchisee and each undersigned Franchise Owner makes the following general release of claims in favor of Franchisor and the related parties identified below as of \_\_\_\_\_ 202\_\_ (the Effective Date).

**INCLUDE ONLY FOR FRANCHISE TRANSFERS:**

In consideration of the consent from SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin (“Franchisor”) to \_\_\_\_\_ (“Franchisee”) in connection with the transfer of Franchisee’s Vanguard Cleaning Systems® Franchise and as required under the franchise agreement between Franchisee and Franchisor (the “Franchise Agreement”), Franchisee and each undersigned Franchise Owner makes the following general release of claims in favor of Franchisor and the related parties identified below as of \_\_\_\_\_ 202\_\_ (the Effective Date).

**INCLUDE FOR RENEWALS:**

**General Release Of Claims by Franchisee:**

FRANCHISEE and each Franchise Owner for itself and, as applicable, its partners, successors, guarantors, assigns, affiliates, spouse, domestic partner, family members, heirs executors, administrators and personal representatives and anyone claiming through or under them (collectively the “FRANCHISEE Parties”), hereby releases, acquits and forever discharges Vanguard Cleaning Systems, Inc. and FRANCHISOR and each of their respective predecessors, successors, assigns, partners, parent company, subsidiaries, affiliates, officers, directors, stockholders, members, employees, attorneys, accountants, agents and other representatives (collectively the “FRANCHISOR Parties”) of and from any and all claims, demands, debts, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, fixed or contingent, which the FRANCHISEE Parties or any of them have against any or all of the FRANCHISOR Parties by reason of any matter, event or cause whatsoever occurring or arising at any time before, through and including the Effective Date of this Release, including, but not limited to, any claims arising under or relating to the Franchise Agreement, to the fullest extent permitted by law. Notwithstanding the foregoing, nothing in this Release shall be construed to waive any right that is not subject to waiver by private agreement. For avoidance of doubt, this Release does not waive any of Franchisor’s prospective obligations under the Franchise Agreement.

**INCLUDE FOR FRANCHISE TRANSFERS:**

### **General Release Of Claims by Franchisee:**

FRANCHISEE and each Franchisee Owner for itself and, as applicable, its partners, successors, guarantors, assigns, affiliates, spouse, domestic partner, family members, heirs executors, administrators and personal representatives and anyone claiming through or under them (collectively the “FRANCHISEE Parties”), hereby releases, acquits and forever discharges Vanguard Cleaning Systems, Inc. and FRANCHISOR and each of their respective predecessors, successors, assigns, partners, parent company, subsidiaries, affiliates, officers, directors, stockholders, members, employees, attorneys, accountants, agents and other representatives (collectively the “FRANCHISOR Parties”) of and from any and all claims, demands, debts, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, fixed or contingent, which the FRANCHISEE Parties or any of them have against any or all of the FRANCHISOR Parties by reason of any matter, event or cause whatsoever occurring or arising at any time before, through and including the Effective Date of this Release, including, but not limited to, any claims arising under or relating to the Franchise Agreement, to the fullest extent permitted by law. Notwithstanding the foregoing, nothing in this Release shall be construed to waive any right that is not subject to waiver by private agreement.

### **INCLUDE FOR BOTH FRANCHISE TRANSFERS AND RENEWALS:**

FRANCHISEE and each Franchisee Owner understands that if the facts relied upon in making this release are discovered hereafter to be other than or different from the facts now believed to be true, or if additional facts are discovered, FRANCHISEE and each Franchisee Owner expressly accepts this risk of such possible different or additional facts and agrees that this release and waiver shall remain effective, notwithstanding any such discoveries. FRANCHISEE and each Franchisee Owner is not deciding to make this release predicated on any factual representations of any others regarding the nature of the claims released or any other matters.

### **Representations by Franchisee/Franchisee Owner:**

Franchisee/each Franchisee Owner represents, warrants, agrees and acknowledges that,

- i) Franchisee/Franchisee Owner has had ample opportunity to consult with legal counsel in making the above release and has read and fully understands the terms of this release and voluntarily and freely signs this release,
- ii) the validity of this release is a condition to and essential consideration for the [renewal] [transfer] of Franchisee’s Franchise; and
- iii) Franchisee currently owns the franchise and the franchised business and all of the claims released hereby and has not assigned any interest in the franchise, any franchise agreement, the franchised business, the ownership of Franchisee (if applicable) or any of such claims.

**CAUTION: THIS AGREEMENT CONTAINS A FULL AND FINAL RELEASE OF CLAIMS.  
PLEASE READ CAREFULLY BEFORE SIGNING.**

FRANCHISEE (Corp. or LLC)

\_\_\_\_\_

(Legal Name of Franchisee Entity)

a \_\_\_\_\_  
Jurisdiction of Formation                      Corporation or LLC

By: \_\_\_\_\_  
Signature    Title

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

FRANCHISEE OWNER(S)

PERCENTAGE OF OWNERSHIP  
OF FRANCHISEE

\_\_\_\_\_  
Signature    \_\_\_\_\_%

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature    \_\_\_\_\_%

\_\_\_\_\_  
Printed Name

**EXHIBIT I**  
**TO THE DISCLOSURE DOCUMENT**  
**ADDITIONAL ACCOUNT BUSINESS AGREEMENT**  
**(Subject to Change by Franchisor)**

## Additional Account Business Agreement

This is an Additional Account Business Agreement between SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_.

- A. Franchisee and Franchisor are parties to a Vanguard Cleaning Systems® Franchise Agreement (the “Franchise Agreement”), under which Franchisee operates a commercial cleaning business.
- B. Franchisor may offer from time to time to Assign to Franchisee an account for a facility (“Additional Account Business” or “Account”). Additional Account Business also includes an increase in Service Billings for an existing Account that expands its services requirements.
- C. If Franchisee chooses to accept an offered Account, Franchisor and Franchisee will sign an acceptance agreement, which will include the economic terms of the Assignment and which will be subject to the terms of this Agreement and the Franchise Agreement.

Franchisor and Franchisee agree as follows:

1. **Account Assignment.** In accepting an Account Assignment, Franchisee’s VCS Business accepts the right to fulfill the services requirements specified in the Account Cleaning Services Agreement for the Additional Account, subject to certain conditions as described in this Agreement, and is responsible for meeting the Account Cleaning Services Agreement requirements described in the applicable Account agreement.
2. **Franchisee Authorization.** Franchisee authorizes Franchisor to perform billing and collection services for all of Franchisee’s franchised business Accounts and to deduct amounts then due from Franchisee to Franchisor from revenues received, as provided in the Franchise Agreement.
3. **Franchisee Transfer.** Franchisee can request Additional Account Business be re-assigned, but only to another Vanguard Cleaning Systems® Business in good standing, subject to Franchisor’s prior written approval and the then current process for Account re-assignments.
4. **Account Commitment.** Franchisee agrees to meet all Account services requirements until the applicable Account business is cancelled or re-assigned to another franchisee, or the Franchise Agreement is terminated or expires.
5. **Replacement Terms for Certain Accounts.** The following replacement provisions do not apply to any Additional Account Business accepted by Franchisee that is offered by Franchisor on a shared revenue basis, e.g., an Account for which Franchisee pays Franchisor a non-refundable, monthly percentage share of Gross Service Billings for such Additional Account Business on an ongoing basis, instead of a specific Marketing Fee amount (each a “Shared Revenue Account”). Franchisee understands that a Shared Revenue Account is an ongoing payment arrangement and that Franchisee’s combined payments may cost Franchisee more than if Franchisee paid a standard Marketing Fee instead (typically an agreed upon multiple of monthly Service Billings for that Account). The total amount of payments Franchisee makes with respect to a Shared Revenue Account ultimately will depend on how long Franchisee’s Vanguard Cleaning Systems® Business services such Account and the actual amount of the Account’s total Service Billings.
  - a. If any Additional Account Business that is not a Shared Revenue Account is cancelled by the customer in the twelve (12) months following the Assignment to Franchisee for reasons other

than those specified in Section b., below, Franchisor shall diligently try to replace such Account within ninety (90) days of the cancellation as follows:

- i) If cancellation occurs within 180 days of Assignment to Franchisee, Franchisor will offer to Assign to Franchisee one or more Accounts with Service Billings equal to those of the lost Account;
  - ii) If cancellation occurs within 181 to 365 days of Assignment to Franchisee, Franchisor will offer to Assign to Franchisee one or more Accounts with Service Billings equal to 50% of those of the lost Account.
- b. Franchisor shall have no obligation to replace any Additional Account if:
- i) an Assigned Account Cleaning Services Agreement is canceled any time after twelve (12) months from the date that Franchisee accepts such Account, or
  - ii) a customer at any time terminates the Account Cleaning Services Agreement because of concerns regarding Franchisee's (or Franchisee's agents'/employees') integrity and/or character, service quality, or a claimed failure to meet Account Cleaning Services Agreement requirements, or
  - iii) a customer requests an Assignment to an alternative VCS Business at any time because of concerns regarding Franchisee's (or Franchisee's agents'/employees') integrity and/or character, service quality, or a claimed failure to meet Account Cleaning Services Agreement requirements, or
  - iv) Franchisee is required to discontinue servicing the Account because Franchisee (or Franchisee's Owner/agent/representative) engages in activity that is likely to have a significant adverse impact upon the operation or reputation of Franchisee's VCS Business, the Franchisor, the Vanguard Cleaning Systems System or the goodwill and image associated with the Marks, or
  - v) Franchisee chooses to discontinue providing the services outlined in the Account Cleaning Services Agreement or requests the Account be reassigned and such request is accepted by Franchisor, or
  - vi) the Franchise Agreement is terminated as a result of a Franchisee default.

6. **Refund Terms for Certain Accounts.** The following refund provisions do not apply to any Shared Revenue Account pricing arrangements, e.g., an Account for which Franchisee agrees to pay Franchisor a non-refundable, monthly percentage share of Gross Service Billings for such Additional Account Business on an ongoing basis, instead of a specific Marketing Fee amount.

- a. If Franchisor fails to fulfill a commitment to provide Additional Account Business Service Billings in an agreed upon amount within 90 days of the effective date of the applicable Account Transfer and Acceptance Agreement (the "Fulfillment Period"), Franchisee may request a refund. Franchisor must receive Franchisee's written request for a refund within 10 days after the end of the applicable Fulfillment Period. To calculate the refund amount due, the average monthly Service Billings of the Account(s) offered to Franchisee is subtracted from the amount of the average monthly Service Billings due under the Account Transfer and Acceptance Agreement to determine the difference between the amounts (the "Deficiency"). The refund due is the amount of the Deficiency multiplied by 4, subject to the following limitations: No refund will be more than i) the amount of the Marketing Fee Franchisee originally financed or, ii) if no financing was used, the amount that Franchisee could have financed under Franchisor's then current financing

policies. Franchisor retains any cash down payment or, if applicable, the amount that would have been paid as a down payment under Franchisor's then current financing policies if Franchisee had not paid the Marketing Fee in a lump sum. Franchisor can offset any refund due Franchisee against any amounts Franchisee owes Franchisor.

7. **Updated Form.** Franchisor may change its Additional Account Business Agreement form periodically. In that case, Franchisor may condition any subsequent Additional Account Business offers on Franchisee's execution of the updated form, which will apply to Accounts offered under the new form.

8. **Franchise Agreement and Personal Guaranty.** Except to the extent expressly modified by this Agreement, the Franchise Agreement remains in full force and effect and applies to all Accounts offered under this Agreement and to Franchisee's conduct and obligations in connection with the same. Capitalized terms used in this Agreement have the same meaning as in the Franchise Agreement, unless separately defined in this Agreement. In signing this Agreement, Franchisee and Franchisee's Guarantors ratify and reaffirm the terms of the Franchise Agreement and the Personal Guaranty and unconditionally promise to Franchisor and its successors and assigns the full and timely performance of all of the terms, covenants, and conditions of the Franchise Agreement (inclusive of exhibits) and the Guaranty since the effective date of the Franchise Agreement. The terms of the Franchise Agreement and the Guaranty apply to this Additional Account Business Agreement and each Additional Account Assignment Acceptance, as though they were signed along with the Franchise Agreement.

9. **Entire Agreement; Amendments.** This is the entire agreement between the parties with respect to the subject matter and supersedes any prior or contemporaneous understandings about the subject matter. This Agreement can only be amended by a writing signed by both parties.



**AGREED & ACCEPTED:**

**FRANCHISEE (Corporation or LLC):** \_\_\_\_\_  
(Legal Name of Franchisee Entity)

By: \_\_\_\_\_ Title: \_\_\_\_\_  
*Signature*

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

**FRANCHISOR** \_\_\_\_\_  
(Legal Name of Master Franchisee)

By: \_\_\_\_\_ Title: \_\_\_\_\_  
*Signature*

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

**GUARANTOR(S)**

**PERCENTAGE OF OWNERSHIP  
OF FRANCHISEE**

\_\_\_\_\_  
Signature

\_\_\_\_\_%

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

\_\_\_\_\_  
Signature

\_\_\_\_\_%

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

TOTAL 100%

Print Name

**EXHIBIT J-1**

**TO THE DISCLOSURE DOCUMENT**

**ACCOUNT ASSIGNMENT AND ACCEPTANCE**  
**(Multiple Pricing Accounts)**

**(Subject to Change by Franchisor)**

**Account Cleaning Services Agreement-  
Assignment and Acceptance  
(Multiple Pricing Option)**

This is an Account Assignment from SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin ("Franchisor") to \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_.

1. Franchisee acknowledges and agrees that Franchisee has:
  - a. had ample opportunity to review the Account Cleaning Services Agreement (Account Agreement) for the Account named below before deciding whether or not to accept an Assignment of the Account; and
  - b. a copy of the Account Agreement and the Services Attachments established by the client; and
  - c. inspected the Account premises, understands fully and can meet the Account requirements and finds the contract price stated below to be fair and reasonable.

2. The Marketing Fee due for the Additional Business identified below is \$ \_\_\_\_\_ (\$ \_\_\_\_\_ X \_\_\_\_\_) and is payable to Franchisor as follows: an initial cash payment of \$ \_\_\_\_\_, plus \_\_\_\_\_ monthly installments of \$ \_\_\_\_\_ each. The first installment is due on \_\_\_\_\_. The second and following installments shall be paid on the \_\_\_\_\_th day of each consecutive month until full payment is received. Franchisee understands that if the Account Assignments accepted by Franchisee represents gross Service Billings greater than the amount agreed upon, then Franchisee will pay a fee for the amount of the difference. Franchisee understands that the fee is \_\_\_\_\_ (\_\_\_\_\_) times the excess difference, and Franchisee agrees to pay Franchisor the fee in twelve (12) equal monthly payments following the date Franchisee begins servicing the Account.

Mark a choice below:

Each monthly installment includes interest on the unpaid principal amount at the rate of \_\_\_\_\_% per annum.

**OR**

The Marketing Fee payments are interest free.

ACCOUNT: \_\_\_\_\_ MONTHLY CONTRACT PRICE: \$ \_\_\_\_\_/month  
CLEANING FREQUENCY: \_\_\_\_\_ FIRST CLEANING: \_\_\_\_\_  
ALARM CODE NO: \_\_\_\_\_ NO. OF KEYS: \_\_\_\_\_  
NOTES: \_\_\_\_\_

**3. GENERAL RELEASE OF CLAIMS BY FRANCHISEE AND FRANCHISEE OWNER(S)**

FRANCHISEE and each Franchisee Owner for itself and, as applicable, its partners, successors, guarantors, assigns, affiliates, spouse, domestic partner, family members, heirs executors, administrators and personal representatives and anyone claiming through or under them (collectively the "FRANCHISEE Parties"), hereby releases, acquits and forever discharges Vanguard Cleaning Systems, Inc. and FRANCHISOR and each of their respective predecessors, successors, assigns, partners, parent company, subsidiaries, affiliates, officers, directors, stockholders, members, employees, attorneys, accountants, agents and other representatives (collectively the "FRANCHISOR Parties") of and from any and all claims, demands, debts, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, fixed or contingent, which the FRANCHISEE Parties or any of them have against any or all of the FRANCHISOR Parties by reason of any matter, event or cause whatsoever occurring or arising at any time before, through and including the date of this Agreement, including, but not limited to, any claims arising under or relating to the Franchise Agreement, to the fullest extent permitted by law. Notwithstanding the foregoing, nothing in this Release shall be construed to waive any right that is not subject to waiver by private agreement. For avoidance of doubt, this Release does not waive any of Franchisor's prospective obligations under the Franchise Agreement.

4. Franchisor Assigns to Franchisee the Account business named above, subject to the terms of the Franchise Agreement, the Additional Account Business Agreement (if applicable), and this Assignment and Acceptance, inclusive of their respective exhibits. Capitalized terms used in this Account Acceptance have the same meaning as in the Franchise Agreement or the Additional Business Agreement (if applicable), unless they are separately defined in this Acceptance.



**EXHIBIT J-2**

**TO THE DISCLOSURE DOCUMENT**

**ACCOUNT ASSIGNMENT AND ACCEPTANCE**  
**(Shared Revenue Accounts)**

**(Subject to Change by Franchisor)**

**Account Cleaning Services Agreement-  
Assignment and Acceptance  
(Shared Revenue Option)**

This is an Account Assignment from SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin (“Franchisor”) to \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_.

1. Franchisee acknowledges and agrees that Franchisee has:
  - a. had ample opportunity to review the Account Cleaning Services Agreement (Account Agreement) for the Account named below before deciding whether or not to accept an Assignment of the Account; and
  - b. a copy of the Account Agreement and the Services Attachments established by the client; and
  - c. inspected the Account premises, understands fully and can meet the Account requirements and finds the contract price stated below to be fair and reasonable.
  
2. Franchisee agrees to pay Franchisor for the Additional Business Account identified below a non-refundable, monthly Alternative Marketing Payment of \_\_\_\_percent (\_\_\_\_%) of Gross Services Billings for such Additional Business Account for as long as it is serviced by Franchisee’s Vanguard Cleaning Systems® Business. This amount is in addition to the royalties and Business Support Fees Franchisee must pay Franchisor on all Vanguard Cleaning Systems® Business Accounts, including the one named below. Franchisor has no obligation to make any refunds or Account replacements of any kind in connection with the Additional Account Business obtained with this Alternative Marketing Payment.

ACCOUNT: \_\_\_\_\_ MONTHLY CONTRACT PRICE: \$ \_\_\_\_\_/month  
CLEANING FREQUENCY: \_\_\_\_\_ FIRST CLEANING: \_\_\_\_\_  
ALARM CODE NO: \_\_\_\_\_ NO. OF KEYS: \_\_\_\_\_  
NOTES: \_\_\_\_\_

**3. GENERAL RELEASE OF CLAIMS BY FRANCHISEE AND FRANCHISEE OWNER(S)**

FRANCHISEE and each Franchisee Owner for itself and, as applicable, its partners, successors, guarantors, assigns, affiliates, spouse, domestic partner, family members, heirs executors, administrators and personal representatives and anyone claiming through or under them (collectively the “FRANCHISEE Parties”), hereby releases, acquits and forever discharges Vanguard Cleaning Systems, Inc. and FRANCHISOR and each of their respective predecessors, successors, assigns, partners, parent company, subsidiaries, affiliates, officers, directors, stockholders, members, employees, attorneys, accountants, agents and other representatives (collectively the “FRANCHISOR Parties”) of and from any and all claims, demands, debts, obligations, damages, causes of action and claims for relief of any nature whatsoever, whether known or unknown, fixed or contingent, which the FRANCHISEE Parties or any of them have against any or all of the FRANCHISOR Parties by reason of any matter, event or cause whatsoever occurring or arising at any time before, through and including the date of this Agreement, including, but not limited to, any claims arising under or relating to the Franchise Agreement, to the fullest extent permitted by law. Notwithstanding the foregoing, nothing in this Release shall be construed to waive any right that is not subject to waiver by private agreement. For avoidance of doubt, this Release does not waive any of Franchisor’s prospective obligations under the Franchise Agreement.

4. Franchisor Assigns to Franchisee the Account business named above, subject to the terms of the Franchise Agreement, the Additional Account Business Agreement, and this Assignment and Acceptance, inclusive of their respective exhibits. Capitalized terms used in this Account Acceptance have the same meaning as in the Franchise Agreement or the Additional Account Business Agreement, unless they are separately defined in this Acceptance.

**IMPORTANT: THIS ACCOUNT ASSIGNMENT AND ACCEPTANCE CONTAINS A RELEASE OF CLAIMS BY YOU. PLEASE READ CAREFULLY BEFORE SIGNING.**



**EXHIBIT K**  
**TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE TRANSFER AGREEMENT**

**(Subject to Change by Franchisor)**



**VANGUARD CLEANING SYSTEMS®**  
**FRANCHISE TRANSFER AGREEMENT**

This Franchise Transfer Agreement (the "Agreement") is made by and among

\_\_\_\_\_ (the "Seller"),

\_\_\_\_\_ (the "Buyer"), and

\_\_\_\_\_ (the "Franchisor"), with an effective date of

\_\_\_\_\_ (the "Effective Date").

If Seller is a corporation or other Business Entity, "Seller" shall also include all persons having an interest in the Seller (individually and together, "Seller's Owners"), all of who shall be liable, separately and together, for Seller's and each other's performance under this Agreement. If Buyer is a corporation or other Business Entity, "Buyer" shall also include all persons having an interest in the Buyer (individually and together, "Buyer's Owners"), all of who shall be liable, separately and together, for Buyer's and each other's performance under this Agreement.

1. Seller entered into a Franchise Agreement with Franchisor on \_\_\_\_\_ (the "Seller's Franchise Agreement").
2. Buyer wants to purchase Seller's Vanguard Cleaning Systems franchised business (the "Franchised Business") and operate under a franchise agreement with Franchisor. Seller wants to transfer the Franchised Business to Buyer and requires Franchisor's consent to the transfer.
3. Seller agrees to pay to Franchisor \$ \_\_\_\_\_ and all other outstanding amounts owed Franchisor on or before the transfer.  
(INSERT ANY OUTSTANDING AMOUNTS OWED BY SELLER, OR \$0)  
Franchisor acknowledges receipt of \$ \_\_\_\_\_, which satisfies all amounts due or to be due under each promissory note identified on Schedule 1 of this Agreement. Each note listed on Schedule 1 is cancelled as of the Effective Date of this Agreement.

At Franchisor's choice, Buyer must either take an assignment from Seller of Seller's Franchise Agreement or sign Franchisor's current form of Franchise Agreement (a "New Franchise Agreement") being offered as of the Effective Date.

**Under this Agreement, Buyer will:**  
(FRANCHISOR TO CHECK ONE)

**A. \_\_\_\_\_ Accept an Assignment of Seller's Franchise Agreement and the Franchised Business.**

Upon signing this Agreement, Seller transfers and assigns to Buyer all of Seller's rights and obligations under Seller's Franchise Agreement and the Franchised Business. Upon signing this Agreement, Buyer assumes and accepts all of Seller's rights and obligations under Seller's Franchise Agreement and the Franchised Business.

**OR**

**B. \_\_\_\_\_ Sign a New Franchise Agreement when Buyer accepts the transfer of the Franchised Business from Seller.**

Buyer acknowledges receipt of Franchisor's Franchise Disclosure Document ("FDD") at least 14 calendar days before the Effective Date of this Agreement, which included the current form of Vanguard Cleaning Systems franchise agreement and related documents. Upon signing this Agreement, Seller transfers and assigns to Buyer all of Seller's rights and obligations in connection with the Franchised Business, and Seller's rights under Seller's Franchise Agreement are cancelled. Upon signing this Agreement, Buyer assumes and accepts all of Seller's rights and obligations in connection with the Franchised Business.

4. Buyer agrees to sign all other documents routinely required by Franchisor when granting a franchise, including any personal guarantees. Buyer agrees to be bound by all the terms and conditions of Buyer's Vanguard Cleaning Systems franchise agreement and to fully perform all obligations to all Accounts for which Seller's Franchised Business performs services as of the Effective Date of this Agreement.
5. If any Account fulfillment commitments are owed to Seller under any Additional Account Business agreement or otherwise as of the Effective Date, Franchisor will owe only the unfulfilled amount of the commitment to Buyer when Buyer acquires the Franchised Business. The minimum Service Billings (if any) due under Seller's Additional Account Business agreement or other agreement as of the Effective Date is listed on Schedule 1 of this Agreement along with the date when any applicable Fulfillment Period is over. Buyer acknowledges and agrees that Franchisor has no unfulfilled Account business commitments if none are listed on Schedule 1.
6. Seller agrees that Seller's post term obligations under Seller's Franchise Agreement, like discontinued use of the Vanguard Cleaning Systems Marks, Manual and branded materials, remain in effect even after any cancellation or assignment of Seller's Franchise Agreement.
7. **RELEASE OF CLAIMS BY SELLER:**

**Except for any claims which cannot lawfully be released under a state franchise relations or franchise sales laws, or under other applicable law, Seller (and Seller's Owner(s), if applicable) hereby releases and relinquishes all claims, demands, debts, obligations, damages, and causes of action of any nature whatsoever (the "Claims") against Franchisor and Vanguard Cleaning Systems, Inc. and each of their predecessors, successors, assigns, affiliates, officers, directors, stockholders, members, employees and agents (all together, the "Franchisor Associates"), whether known or unknown, arising anytime before and up to the Effective Date of this Agreement, to the fullest extent permitted by law. Nothing in this Release shall be construed to waive any right that is not subject to waiver by private agreement.**

**Seller (and Seller's Owners, if applicable) acknowledges that each of them had the opportunity to consult with legal counsel in making this Release and that each of them has read and fully understands the terms of this Release and that this Release was entered into by each freely and voluntarily.**

**Seller's Initials:** \_\_\_\_\_

**Seller's Owners' Initials:** \_\_\_\_\_

8. This Agreement, its attachments and the agreements referred to in this Agreement are the entire understanding among the parties concerning Franchisor's consent to the transfer of Seller's Franchise and replace all negotiations, prior discussions and preliminary agreements.

**WE AGREE AND ACCEPT THE ABOVE TERMS OF AGREEMENT.**

**“SELLER”**

**“BUYER”**

\_\_\_\_\_

[Name of SELLER]

\_\_\_\_\_

[Name of BUYER]

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

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

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

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

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

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

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

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

**All SELLER Owners must sign this Agreement.**

**All BUYER Owners must sign this Agreement.**

“Owner”

“Owner”

Individually: \_\_\_\_\_

Individually: \_\_\_\_\_

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

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

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

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

% Owned of Business Entity Franchisee:

% Owned of Business Entity Franchisee:

\_\_\_\_\_

\_\_\_\_\_

**All SELLER Owners must sign this Agreement.**

**All BUYER Owners must sign this Agreement.**

“Owner”

Owner”

Individually: \_\_\_\_\_

Individually: \_\_\_\_\_

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

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

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

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

% Owned of Business Entity Franchisee:

% Owned of Business Entity Franchisee:

\_\_\_\_\_

\_\_\_\_\_

**FRANCHISOR'S CONSENT TO FRANCHISE TRANSFER**

SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin hereby consents to the Franchise Transfer between the Buyer and Seller named above upon the terms and conditions stated in this Agreement,

**Franchisor**

\_\_\_\_\_

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

BY: \_\_\_\_\_

\_\_\_\_\_, (title)

**APPENDIX 1**

**APPLICABLE PROMISSORY NOTES**

**(TO BE PAID IN FULL BEFORE FRANCHISE TRANSFER)**

Note 1:

Date of Note: \_\_\_\_\_

Balance as of the Effective Date of this Agreement: \_\_\_\_\_

Note 2:

Date of Note: \_\_\_\_\_

Balance as of the Effective Date of this Agreement: \_\_\_\_\_

**TOTAL AMOUNT DUE FROM SELLER TO FRANCHISOR ON OR BEFORE THE DATE OF SELLER'S FRANCHISE TRANSFER: \$ \_\_\_\_\_**

**FRANCHISOR'S OUTSTANDING ACCOUNT FULFILLMENT OBLIGATIONS**

**(AS OF THE EFFECTIVE DATE, IF ANY)**

**Franchisor owes Buyer** VCS Accounts anticipated to generate \$ \_\_\_\_\_ in service billings per month, as of the date of Buyer's acquisition of the Franchised Business.

The Fulfillment Period for the Account business owed by Franchisor ends on \_\_\_\_\_.

**EXHIBIT L**  
**TO THE DISCLOSURE DOCUMENT**  
**UNIT FRANCHISEE ACCOUNT ASSIGNMENT AGREEMENT**  
**AND MASTER FRANCHISEE CONSENT**

**(Subject to Change by Franchisor)**

**Unit Franchisee Account Assignment Agreement  
and Master Franchisee Consent**

This Unit Franchisee Account Assignment Agreement (the “Agreement”) is made by and among

\_\_\_\_\_ (the “Assignor”),  
(*transferring franchisee*)

\_\_\_\_\_ (the “Assignee”), and  
(*receiving franchisee*)

\_\_\_\_\_ (the “Franchisor”), with an effective date of  
(*Region*)

\_\_\_\_\_ (the “Effective Date”).

1. Assignor entered into a Franchise Agreement with the Franchisor on \_\_\_\_\_ (the “Franchise Agreement”).
2. Assignor previously accepted or self-generated the VCS Account(s) named on Schedule 1 of this Agreement (alone or in combination, the “Account”). Assignor now wishes to assign Assignor’s rights and obligations in connection with the Account to another Vanguard Cleaning Systems® franchisee.
3. For value received, Assignor hereby assigns and transfers to Assignee all rights, interests and obligations Assignor has in the Account. Assignor understands that on and after the Effective Date of this Agreement Assignee will have the sole right and obligation to provide the services required by the Account under the Account Cleaning Services Agreement (the “Account Agreement”) and to be paid for such services, subject to the terms of the Assignee’s Franchise Agreement and related agreements.
4. Assignee hereby accepts the Account assignment and agrees to assume the right and obligation to provide the services required by the Account under the Account Agreement and to receive payment for such services, subject to the terms of the Assignee’s Franchise Agreement and related agreements. Assignee understands Assignor has the right to revenues received for any services to the Account provided by Assignor prior to the Effective Date of this Agreement.
5. Assignee represents that Assignee has:
  - inspected the Account premises, understands fully and can meet the Account requirements and finds the contract price to be fair and reasonable; and
  - the sole responsibility for meeting the Account Cleaning Services requirements described in the Account Agreement; and
  - the sole responsibility for any keys or other Account property received by Assignee in connection with this Account and for maintaining Account satisfaction; and
  - the financial and operational resources, equipment and inventory necessary to meet the Account requirements on an ongoing basis.

6. Assignor agrees that this Agreement will not relieve Assignor from any amounts Assignor owes under any promissory note outstanding in connection with this Account unless Assignee pays Franchisor the amount outstanding under Assignor's note as of the Effective Date of this Agreement or gives Franchisor a promissory note for such amount.

7. Any promissory note made or other debt incurred by Assignor in connection with the assigned Account and to be cancelled as of the Effective Date is described in Exhibit A to this Agreement or attached as Exhibit A and marked "Cancelled". Any promissory note to be made by Assignee in connection with Assignee's acceptance of Account is attached as Exhibit B to this Agreement and will be signed by Assignee when this Agreement is signed.

8. The Guarantors identified below signed a Personal Guaranty of the Assignor's/Assignee's, as applicable, obligations under their respective Franchise Agreement when it was executed. The Guarantors each ratify the terms of their Personal Guaranty and agree that their obligations under such Personal Guaranty apply fully to this Agreement and all transferred Accounts.

**WE AGREE AND ACCEPT THE ABOVE TERMS OF AGREEMENT.**

**"ASSIGNOR"**

**"ASSIGNEE"**

\_\_\_\_\_  
[Name of ASSIGNOR]

\_\_\_\_\_  
[Name of ASSIGNEE]

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

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

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

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

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

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

**ASSIGNOR'S GUARANTOR(S)**

**ASSIGNEE'S GUARANTOR(S)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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



CONSENT OF (INSERT NAME OF APPLICABLE MASTER)

\_\_\_\_\_ hereby consents to the above assignment of the Account upon the terms and conditions stated in this Agreement, including any attachments.

**Franchisor**

**SandalStone Ventures, Inc. d/b/a Vanguard Cleaning Systems of SE Wisconsin**

BY: \_\_\_\_\_

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

Title \_\_\_\_\_

**SCHEDULE 1**

**Assigned Account(s)**

**Account:** \_\_\_\_\_

**Monthly Contract Price: \$** \_\_\_\_\_

**Account:** \_\_\_\_\_

**Monthly Contract Price: \$** \_\_\_\_\_

**Account:** \_\_\_\_\_

**Monthly Contract Price: \$** \_\_\_\_\_

**EXHIBIT A**

**Assignor Promissory Note(s)**

**(REGION TO DESCRIBE ANY OUTSTANDING DEBT MADE BY THE TRANSFERRING FRANCHISEE TO BE ADJUSTED IN CONNECTION WITH THE TRANSFER OF THE ACCOUNT OR TO ATTACH ANY PROMISSORY NOTE BY THE TRANSFERRING FRANCHISEE THAT WILL BE CANCELLED BY THE REGION, IF ANY. IF NONE, THEN WRITE "NONE" ON THIS PAGE.)**

**EXHIBIT B**

**Assignee Promissory Note(s)**

**(REGION TO ATTACH ANY PROMISSORY NOTE TO BE MADE BY THE ACCEPTING FRANCHISEE IN CONNECTION WITH THE TRANSFERRED ACCOUNT, IF ANY. IF NONE, WRITE "NONE" ON THIS PAGE.)**

**EXHIBIT M**  
**TO THE DISCLOSURE DOCUMENT**  
**RECEIPT OF FRANCHISE RELATED DOCUMENTS**

RECEIPT OF FRANCHISE RELATED DOCUMENTS

The undersigned, personally and/or as an officer or managing member of the proposed franchisee, does hereby acknowledge receipt of the following documents, in form for execution:

- (1) Franchise Agreement
- (2) Personal Guaranty
- (3) Independent Contractor Acknowledgement

(Proposed franchisee must initial the box next to the applicable documents.)

I further acknowledge my understanding that it is my responsibility, individually and as an officer or managing member of the proposed franchisee, to review all such documents, so that I am fully familiar with the transaction contemplated before signing any binding agreement.

DATED: \_\_\_\_\_

THE LAW REQUIRES THAT WE PROVIDE YOU WITH THE FRANCHISE-RELATED DOCUMENTS NOTED ABOVE AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE THEY ARE TO BE EXECUTED. PLEASE DO NOT SIGN OR RETURN THESE DOCUMENTS UNTIL SEVEN (7) CALENDAR DAYS HAVE ELAPSED FROM THE DATE OF THIS RECEIPT.

\_\_\_\_\_,  
individually and as an officer/ managing member of  
\_\_\_\_\_  
(\_\_\_\_\_, corporation)  
(\_\_\_\_\_, limited liability company)

### 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, 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 state(s), where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
WI	February 23, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller assisted marketing plans.

**EXHIBIT N**  
**TO THE DISCLOSURE DOCUMENT**  
**ITEM 23 RECEIPTS**



**ITEM 23**  
**RECEIPT**  
**(YOUR COPY)**

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 we offer you a franchise, we must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If we do 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 your state agency.

The Franchisor is SandalStone Ventures, Inc., d/b/a Vanguard Cleaning Systems of SE Wisconsin located at 4325 S. 60<sup>th</sup> Street, Suite 2, Greenfield, WI 53220. Its telephone number is (414) 763-1777. The name, principal address and telephone number of the franchise seller offering the franchise is Daniel W. Schauer, 4325 S. 60<sup>th</sup> Street, Suite 2, Greenfield, WI 53220, (414) 763-1777.

**Date of Issuance: February 1, 2022**

The Region authorizes the Administrator of the Department of Financial Institutions, Division of Securities at 345 West Washington Avenue, 4<sup>th</sup> Floor, Madison, WI 53703 to receive service of process for the Region. I have received a Franchise Disclosure Document dated February 1, 2022 that includes the following exhibits:

Exhibit A	Franchise Agreement
Exhibit B	Insurance Request Form/Payment Authorization
Exhibit C	List of Active Unit Franchisees of SE Wisconsin
Exhibit D	Financial Statements
Exhibit E	List of Former Unit Franchisees of SE Wisconsin
Exhibit F	State Regulators and Agents For Service Of Process
Exhibit G	Renewal Addendum to the Franchise Agreement
Exhibit H	General Release of Claims
Exhibit I	Additional Account Business Agreement
Exhibit J-1	Account Assignment and Acceptance (Multiple Pricing Option)
Exhibit J-2	Account Assignment and Acceptance (Shared Revenue Option)
Exhibit K	Franchise Transfer Agreement
Exhibit L	Unit Franchisee Account Assignment Agreement and Master Franchisee Consent
Exhibit M	Receipt of Franchise Related Documents
Exhibit N	Item 23 Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

**KEEP THIS COPY FOR YOUR RECORDS.**

**INTENTIONALLY BLANK**

**ITEM 23  
RECEIPT  
(OUR COPY)**

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Exhibit N	Item 23 Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

State and effective date of Disclosure Document: Wisconsin, February 23, 2022.

Please sign this copy of the receipt, date your signature, and return it to **Vanguard Cleaning Systems of SE Wisconsin, 4325 S. 60th Street, Suite 2, Greenfield, WI 53220, (414) 763-1777.**