

FRANCHISE DISCLOSURE DOCUMENT

(California)



System4, LLC
(an Ohio Limited Liability Company)
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LA Mailroom

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Department of
Business Oversight

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

The estimated total investment necessary to begin operation of System4® franchise ranges from \$155,900- \$373,000. This includes \$125,000 to \$300,000 that must be paid to the franchisor.

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

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

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

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

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

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE.

Call the state franchise administrator listed in Exhibit D for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN OHIO. OUT-OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN OHIO.
2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW (EXCLUDING ITS STATUTES THAT REGULATE UNFAIR AND DECEPTIVE TRADE PRACTICES UNLESS THE FRANCHISE BUSINESS IS OPERATED IN OHIO) GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE IS AN INDEPENDENT CONTRACTOR AND NOT AN EMPLOYEE OF THE FRANCHISOR. THAT MEANS YOU WILL NOT ENJOY CERTAIN PROTECTIONS AND BENEFITS THAT ARE OR MAY BE AVAILABLE TO EMPLOYEES, SUCH AS MINIMUM WAGE GUARANTEES AND OVERTIME PAY UNDER APPLICABLE LABOR LAWS, TAX WITHHOLDING, RETIREMENT BENEFITS, PAID VACATION AND SICK PAY, HEALTHCARE INSURANCE, UNEMPLOYMENT INSURANCE COVERAGE, WORKERS COMPENSATION COVERAGE, AND ANY OTHER PROTECTIONS AND BENEFITS THAT EMPLOYEES ENJOY.
4. THE FRANCHISEE MUST MEET MINIMUM ROYALTY PAYMENTS TO THE FRANCHISOR AND MEET MINIMUM PERFORMANCE OBLIGATIONS. IF THE RESULTS ARE NOT ACHIEVED, THE FRANCHISE AGREEMENT MAY BE TERMINATED.
5. EACH PRINCIPAL OWNER OF THE FRANCHISEE MUST GUARANTEE ALL OBLIGATIONS OF FRANCHISEE UNDER THE FRANCHISE AGREEMENT, THEREBY PLACING HIS/HER PERSONAL ASSETS AT RISK.
6. IF FRANCHISEE IS A LEGAL ENTITY, ITS OWNERS WILL HAVE TO GUARANTY ALL OF FRANCHISEE'S OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF THE FRANCHISE AGREEMENT, INCLUDING THE FINANCIAL OBLIGATIONS, THE COVENANTS NOT TO COMPETE AND THE PROVISIONS ON CONFIDENTIALITY.
7. YOUR SPOUSE MUST SIGN A DOCUMENT THAT BINDS YOUR SPOUSE TO CERTAIN OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, INCLUDING THE COVENANTS NOT TO

COMPETE AND THE PROVISIONS ON CONFIDENTIALITY. YOUR SPOUSE WILL BE LIABLE FOR THOSE OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHP INTEREST IN THE BUSINESS.

8. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of 1 or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for referring you to us. You should be sure to do your own investigation of the franchise.

This Franchise is registered in the states listed on the following page:

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