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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Cary Reed, President
S4 Group, LLC
S4 Group, LLC, dba System4 - National Markets
6880 West Snowville Road, Suite 200
Brecksville, Ohio 44141

DESIST AND REFRAIN ORDER
(For violation of Section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times S4 Group, LLC and S4 Group, LLC, dba System4 - National Markets, (hereinafter, collectively, "S4 Group") were Ohio limited liability companies. S4 Group conducted business at 6880 West Snowville Road, Suite 200, Brecksville, Ohio and/or 10060 Brecksville Road, Suite 200, Brecksville, Ohio.
2. At all relevant times, Cary Reed was the president of S4 Group, LLC.
3. At all relevant times System 4, LLC, ("Master Franchisor") was an Ohio limited liability company, with its principal place of business located at 10060 Brecksville Road, Suite 200, Brecksville, Ohio. The Master Franchisor developed a system for the establishment and operation of sub-franchised businesses by which subfranchises are granted the right to offer, sell, and service unit franchises to local operators providing janitorial and commercial cleaning services under the name and mark "SYSTEM4." The Master Franchisor maintains or maintained a website at www.system4usa.com.
4. Pursuant to a master franchise agreement, the Master Franchisor granted S4 Group the right to sub-franchise Sytem4 unit franchises in specific geographic areas. S4 Group was to provide unit franchises to franchisees promising a guaranteed level of gross monthly janitorial commercial business, depending upon the type of package the franchisee purchased.

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1 5. Beginning in or about October 2007, S4 Group entered into an agreement with at least
2 one (1) California resident to establish a unit franchise within the State of California. Pursuant to an
3 agreement captioned, "S4 Group, LLC DbA System4 - National Markets Unit Franchise Agreement,"
4 S4 Group granted the franchisee the right to engage in the operation of a janitorial business that
5 serviced commercial clients under the name and mark "SYSTEM4." The franchisee was entitled,
6 among other things, to use the SYSTEM4 trade name to run his commercial janitorial business. In
7 addition, the franchisee was guaranteed gross monthly billings from customers provided to him by S4
8 Group; was provided with cleaning equipment and supplies, manuals, invoicing and accounting
9 services; and was provided with training.

10 6. In exchange for the foregoing rights and benefits, the franchisee paid at least
11 \$22,500.00 of the full \$25,000.00 initial franchise fee to S4 Group. S4 Group offers a ten (10%)
12 percent discount on a portion of the initial franchise fee that would have been financed if not paid in
13 cash.

14 7. This agreement constitutes a franchise as defined by Corporations Code section
15 31005.

16 8. This franchise was offered or sold in this state.

17 9. On May 8, 2007, S4 Group, LLC filed an application with the Department of
18 Corporations, pursuant to Corporations Code section 31111, seeking to register its franchise
19 enterprise in this state. S4 Group, LLC's application was abandoned on December 20, 2007, prior to
20 the registration of the franchise offering. Accordingly, the Department of Corporations has not
21 issued a registration to S4 Group, LLC and/or S4 Group, LLC, dba System4 - National Markets for
22 the offer or sale of any franchise in this state. Additionally, the offer or sale of any franchise of S4
23 Group, LLC and S4 Group, LLC, dba System4 - National Markets are not exempt from registration.

24 Based upon the foregoing findings, the California Corporations Commissioner is of the
25 opinion that S4 Group, LLC and S4 Group, LLC, dba System4 - National Markets have offered S4
26 Group franchises in California that are subject to registration under the Franchise Investment Law,
27 without the sale first being registered, in violation of Corporations Code section 31110. Pursuant to
28 section 31402 of the Corporations Code, Cary Reed, S4 Group, LLC, and S4 Group, LLC, dba

1 System4 - National Markets are hereby ordered to desist and refrain from the further offer or sale of
2 franchises, including but not limited to S4 Group unit franchises, unless and until the offer has been
3 duly registered under the Franchise Investment Law or unless exempt. This Order is necessary, in the
4 public interest, for the protection of franchisees and consistent with the purposes, policies, and
5 provisions of the Franchise Investment Law.

6 Dated: June 24, 2009
7 Los Angeles, California

8 PRESTON DuFAUCHARD
9 California Corporations Commissioner

10
11 By _____
12 ALAN S. WEINGER
13 Deputy Commissioner
14 Enforcement Division
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