# FRANCHISE DISCLOSURE DOCUMENT

One Hour Air Conditioning Franchising, L.L.C.
a Florida Limited Liability Company
12 Greenway Plaza, Suite 250
Houston, Texas 77046
866-370-8302
www.onehourair.com

The franchise offered is a residential air conditioning and heating maintenance, repair and equipment replacement services franchised business.

The total investment necessary to begin operation of a One Hour conversion franchised business is $81,805 to $248,612. This includes $45,120 to $47,115 that must be paid to the franchisor or its affiliates. It does not include fees for a territory with a population greater than the minimum 100,000, for which we charge an additional $430 for each 1,000 of population above 100,000. The total investment necessary to begin operation of a One Hour start-up franchised business is $259,805 to $535,862. This includes $45,120 to $47,115 that must be paid to the franchisor or its affiliates. It does not include fees for a territory with a population greater than the minimum 100,000, for which we charge an additional $430 for each 1,000 of population above 100,000.

If you sign an area development agreement to develop more than one residential air conditioning and heating maintenance, repair and equipment replacement services franchised business pursuant to a development schedule, you must also pay an area development fee equal to (a) $10,000 multiplied by (b) the number of residential air conditioning and heating maintenance, repair and equipment replacement services franchised businesses to be developed under the area development agreement.

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 your personal Franchise Development Representative at 12 Greenway Plaza, Suite 250, Houston, Texas 77046 and 866-370-8302.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 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.

Issued: February 24, 2018.

## 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 DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor, 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 FRANCHISE 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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR, IN CERTAIN SITUATIONS, MEDIATION. ALL LITIGATION AND MEDIATION SHALL BE CONDUCTED ONLY IN THE STATE WHERE OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED, CURRENTLY HOUSTON, TEXAS. OUT OF STATE LITIGATION OR MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE OR MEDIATE WITH US IN TEXAS OR ANOTHER STATE THAN IN YOUR OWN HOME STATE.

2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT THE LAW OF THE STATE OF TEXAS GOVERNS THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THE FRANCHISE AGREEMENT REQUIRES YOU TO PAY US A MINIMUM MONTHLY CONTINUING FRANCHISE FEE OF $1,500 EVEN IF THE FRANCHISE HAS NO REVENUE.

4. THE FRANCHISE AGREEMENT REQUIRES YOU TO MAINTAIN MINIMUM SALES PERFORMANCE STANDARDS LEVELS. IF YOU FAIL TO DO SO, YOU COULD LOSE YOUR PROTECTED RIGHTS IN YOUR TERRITORY OR WE COULD TERMINATE YOUR FRANCHISE AGREEMENT AND YOU COULD LOSE SOME OR ALL OF YOUR INVESTMENT.

5. THE AREA DEVELOPMENT AGREEMENT REQUIRES YOU TO ACHIEVE MINIMUM REVENUE LEVELS IN EACH FRANCHISED BUSINESS DEVELOPED UNDER THE AREA DEVELOPMENT AGREEMENT. IF YOU FAIL TO DO SO, YOU MAY NOT BE ELIGIBLE TO CONTINUE DEVELOPING ADDITIONAL FRANCHISED BUSINESSES AND YOU COULD LOSE SOME OR ALL OF YOUR INVESTMENT.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

## STATE EFFECTIVE DATES

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

This Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws with the following effective dates:

California

Hawaii

Illinois

Indiana

Maryland

Michigan

Minnesota

New York

North Dakota

Rhode Island

South Dakota

Virginia

Washington

Wisconsin

## Table of Contents


**Item** **Page**

Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES....1
Item 2 BUSINESS EXPERIENCE....7
Item 3 LITIGATION....8
Item 4 BANKRUPTCY....10
Item 5 INITIAL FEES....10
Item 6 OTHER FEES....12
Item 7 ESTIMATED INITIAL INVESTMENT....16
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES....28
Item 9 FRANCHISEE'S OBLIGATIONS....34
Item 10 FINANCING....37
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING....38
Item 12 TERRITORY....50
Item 13 TRADEMARKS....56
Item 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION....59
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS....61
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL....62
Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION....63
Item 18 PUBLIC FIGURES....79
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS....79
Item 20 OUTLETS AND FRANCHISEE INFORMATION....85
Item 21 FINANCIAL STATEMENTS....93
Item 22 CONTRACTS....94
Item 23 RECEIPTS....94


**EXHIBITS**


A. List of State Administrators
B. Agents for Service of Process
C. Promissory Notes and Guaranties
   C-1. Promissory Note and Guaranty for Franchise Agreement
   C-2. Promissory Note and Guaranty for Area Development Agreement
D. All Hands Confidentiality Agreement
E. List of Franchisees
F. Former Franchisees
G. Financial Statements
H. Franchise Agreement, including Exhibits
   H-1. Incentive Program Amendment (With Incentive Payment)
   H-2. Incentive Program Amendment (Without Incentive Payment)
I. Area Development Agreement, including Exhibits
J. State Addenda/State Franchise Agreement Amendments/ State Area Development Agreement Amendments
K. Renewal Addendum
L. General Releases
M. UWIN Agreement
N. Receipts

## Item 1
## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The franchisor is One Hour Air Conditioning Franchising, L.L.C., and will be referred to in this document as "**One Hour®**", "**Franchisor,**" "**we**", "**us**" or "**our**". A person or business entity who buys a franchise from us will be referred to as "**you**." If you are a corporation, partnership, limited liability company or other business entity, "**you**" also includes your owners ("**Owners**").

We are a Florida limited liability company organized on February 20, 2003. Our principal place of business is 12 Greenway Plaza, Suite 250, Houston, Texas 77046.

We conduct business under our name, One Hour Air Conditioning Franchising, L.L.C., or under the trademarks ONE HOUR AIR CONDITIONING & HEATING® or ONE HOUR HEATING & AIR CONDITIONING®. We do not conduct business under any other trademarks or trade names. Our agents for service of process are disclosed in **Exhibit B**.

### Our Parent, Predecessors and Affiliates

#### General

We do not have any predecessors.

One of our affiliates and our parent company is Clockwork, Inc., a Delaware corporation, located at 12 Greenway Plaza, Suite 250, Houston, Texas 77046. ("**Clockwork Services**"). On July 1, 2010, our former parent, Clockwork Home Services, Inc. ("**CHSI**"), and Direct Energy (CW), Inc. ("**DECW**"), a Delaware corporation, completed a corporate reorganization transaction through which DECW acquired substantially all of the assets of CHSI. As a result of that transaction, Franchisor became a wholly-owned subsidiary of DECW and, in connection with that transaction, DECW was renamed "Clockwork, Inc." Clockwork Services operates under the name "Clockwork Home Services" (as did CHSI).

Clockwork Services, through its affiliate Clockwork IP, LLC, a Florida limited liability company, located at 12 Greenway Plaza, Suite 250, Houston, Texas 77046. ("**Clockwork IP**") owns the ONE HOUR AIR CONDITIONING & HEATING mark, and other related marks, and licenses them to us.

Clockwork Services and One Hour are members of the Direct Energy® group of companies. Direct Energy is an integrated provider of electricity and natural gas products and home and business services. Direct Energy's brands operate in 50 states in the United States and four provinces in Canada. Direct Energy, through its affiliates and various lines of business, offers a wide range of energy related services to homes and businesses, including but not limited to, HVAC, plumbing, electrical, home improvements, home warranty products and protection plans, and water heater and electrical appliance services for residential customers; and energy audits, HVAC, building automation, photovoltaic power generation, facility maintenance and energy management consulting services for commercial, institutional and industrial customers. Direct Energy, through its affiliates and various lines of business, also offers "smart" devices for homes and businesses, including but not limited to thermostats, light bulbs, plugs, motion sensors, cameras, energy monitoring devices, HVAC diagnostic tools, and related products, that may

wirelessly connect and allow users to remotely control such products through smartphones, tablets, computers, or other similar devices. Direct Energy may or may not provide or otherwise make such products and services available to you and may work with large national home centers or retailers, national and local chains, contractors, and other businesses to distribute, sell, install, and/or service such products and services in markets throughout the United States including in territories assigned to our franchisees. Clockwork Services' and Direct Energy's ultimate parent company is Centrica plc, a U.K. public limited company, located at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD England ("**Centrica**"), an integrated energy and services company, with operations in the U.K., across Europe, North America and elsewhere. Direct Energy's business may directly or indirectly compete with your Franchised Business. You can find more information about Centrica®, Direct Energy and Clockwork Services' related companies at www.centrica.com.

Our business and affairs will be managed by Clockwork Services as the sole member of our limited liability company, the Franchisor. Clockwork Services will provide some back office support to us by identifying and participating in business opportunities that serve niche markets, meeting unfulfilled market demands and offering products, services and education. There is no commitment by Clockwork Services to provide post-sale obligations on our behalf. You must look only to the Franchisor and not to Clockwork Services or any other affiliate to fulfill the franchisor obligations under your Franchise Agreement. There are no formal arrangements between Franchisor and Clockwork Services for your benefit or on which you can rely, and there are no formal arrangements directly between Clockwork Services and you related to your Franchise Agreement or your business.

Clockwork Services previously supported four contractor affinity groups under the umbrella of its Success Group International® business division. These affinity groups operate under the trade names AirTime® 500, Plumbers' Success International®, Roofers' Success International®, and Electricians' Success International®. The affinity group businesses were divested in 2014 and are no longer a part of the Direct Energy group of companies. Members of these affinity groups continued to have full access to BuyMax (described below) until July 2017, when their full access was limited to only the sourcing of BuyMax's private branded products. BuyMax is no longer a vendor partner to the affinity groups. However, BuyMax continues to sell private branded products to independent contractors, including affinity group members and other independent contractors in its sole and absolute discretion. Other BuyMax members, including our franchisees, continue to have full access to BuyMax. Some of the tools AirTime 500 provides to members in the residential HVAC industry will be similar to the tools (such as training, marketing systems, and management expertise) provided to you under the Franchise Agreement and you may compete with AirTime 500 members in your Territory.

One or more affiliates or subsidiaries of Clockwork Services operate businesses ("**Company-Owned Outlets**") of the type that are offered in this Disclosure Document, under the trademark ONE HOUR AIR CONDITIONING & HEATING or ONE HOUR HEATING & AIR CONDITIONING in, or near, Las Vegas, Nevada; Naples, Florida; Delray Beach, Florida; Rocklin, California; Denver, Colorado; Loveland, Colorado; Indianapolis, Indiana; Cincinnati, Ohio; Houston, Texas; and Corpus Christi, Texas. Company-Owned Outlets include Affiliate-Owned Businesses. Clockwork may expand its operations into new territories through additional Company-Owned Outlets or otherwise.

**Our Affiliates that offer Franchises in other Lines of Business**

In September 2001, Benjamin Franklin Franchising, LLC, a Missouri limited liability company located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 ("**Ben Franklin**") began offering franchises to operate a residential plumbing repair and services business under the trademark BENJAMIN FRANKLIN PLUMBING®. Ben Franklin is owned by Clockwork Services. As of December 31, 2017, Ben Franklin had 262 franchises sold to 99 persons or entities. Fifty-five of the 99 persons or entities purchased more than one franchise from Ben Franklin. Ben Franklin has not offered a residential air conditioning and heating services business franchise like the type described in this Disclosure Document.

In June 2006, Mister Sparky Franchising, L.L.C., a Florida limited liability company located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 ("**Mister Sparky**") began offering franchises to operate a residential electric services business under the trademark, MISTER SPARKY®. Mister Sparky is owned by Clockwork Services. As of December 31, 2017, Mister Sparky had 101 franchises sold to 58 persons or entities. Nineteen of the 58 persons or entities purchased more than one franchise from Mister Sparky. Mister Sparky has not offered a residential air conditioning and heating business franchise like the type described in this Disclosure Document.

**Affiliates that currently Offer Goods and Services to our Franchisees**

Some of our affiliates are approved vendors and offer goods and services to our franchisees. These affiliates are as follows:

- BuyMax, LLC, a Missouri limited liability company, located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 ("**BuyMax**"). BuyMax® negotiates national account contracts with providers of services or goods to get competitive pricing and rebates or discounts for our franchisees, Ben Franklin franchisees, and Mister Sparky franchisees; Mister Sparky, Ben Franklin, and One Hour Company-Owned Outlets; and other companies within the Direct Energy group of companies, as well as independent BuyMax members.

- New Millennium Academy, L.L.C., a Missouri limited liability company, located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046, ("**Success Academy**"). Success Academy® provides training classes and skill development to contractors (who may be our franchisees) and their employees to help them reach their full potential. Success Academy also offers online training classes and skill development with similar topics and audiences. In the future, the operations of Success Academy may continue under a different name or through a different legal entity within the Direct Energy group of companies.

- SuccessWare, Inc., a Missouri corporation, located at 9276 Main Street, Building 2, Clarence, New York 14301 ("**SuccessWare**"). SuccessWare® provides our required proprietary software package, data conversion, and training to contractors (who may be our franchisees). Our franchisees are required to deploy and use SuccessWare.

- UWIN, LLC, a Florida limited liability company, located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 ("**UWIN**"). UWIN® is a customer service resource dedicated to providing customers with information, assistance, and issue resolution in connection with any concerns they may have with home services contractors who display UWIN's distinctive seal of approval and associated marks, logos and designs while such contractors are active UWIN members. Our franchisees are required to be members of the UWIN program.

- Clockwork Acquisition II, Inc., a Delaware corporation, with a principal business address of 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 (the "**Contact Center**"). The Contact Center operates a call center currently located at 1401 S. 52nd St. Suite 15, Tempe, Arizona 85296. The Contact Center provides call center services and other similar services to various companies within the Direct Energy group of companies and also provides call center services to some of our franchisees, Mister Sparky franchisees, and Ben Franklin franchisees. We anticipate the Contact Center will cease to operate and will cease providing services to franchisees at some point during calendar year 2018 as determined in its sole and absolute discretion.

Except as described in this Item 1, none of our affiliates has conducted a business of the type you will operate or has offered franchises for that type of business. We have described the type of business each of our affiliates who offer franchises or provide products or services to our franchisees has conducted in other lines of business and we have described below the franchises we offer.

**The Franchises We Offer**

We award franchises for residential air conditioning and heating maintenance, repair and equipment replacement services, including duct cleaning and other indoor air quality services, ("**HVAC Services**") businesses to be operated under the trademarks ONE HOUR AIR CONDITIONING & HEATING or ONE HOUR HEATING & AIR CONDITIONING. You will select which of these trademarks you prefer to use. We do not engage in other business activities and do not and have never offered franchises in any other line of business.

If you sign a franchise agreement, the business you operate will use the trademarks, service marks, trade names, logos, and symbols we designate (which trademarks, service marks, trade names, logos, and symbols we will call the "**Licensed Marks**") to provide HVAC Services (the "**Franchised Business**"). The approved HVAC Services currently include only residential services, including maintenance, repair and replacement services, and do not include commercial services or new construction. The Franchised Business will use the methods and procedures we have developed (the "**System**"), which includes standards and methods of operation, accounting, marketing, advertising and public relations, and the standards for conducting a Franchised Business. The standards include responsibility for warranties and guarantees of customer service levels, including customer satisfaction and timeliness guarantees. The System for conducting a Franchised Business is described in our operations manual, which we call Operational Excellence or OpX (the "**Operations Manual**"), or otherwise in other writings designated by us as part of the standards for the System (collectively with the Operations Manual, "**System Standards**").

Our concept is to have a franchisee operate his or her Franchised Business from one approved location within the franchisee's territory. However, some of our franchisees may be awarded multiple franchises in contiguous or adjoining territories. In those circumstances, those franchisees may operate their multiple franchises from an approved location in only one of their franchised territories.

Franchisees will be either converting their existing residential HVAC business into a Franchised Business (a "**Conversion Franchise**") or will develop and open a new HVAC Services business (a "**Start-Up Franchise**"). We may pursue opportunities to convert similar businesses operating under different trade names to a One Hour Franchised Business. We may provide conversion incentives to those businesses (an "**Incentive Program**"). The terms of the Incentive Program vary depending on factors such as the existing sales volume of the business, the size and location of the geographic area serviced, perceived competitive advantage of the business, the skills and experience of the business leaders, physical condition and age of the business and its assets, operating history, our then current conversion policy, the negotiations of the parties, and other factors determined by us in our sole and absolute discretion. We may negotiate these incentives when business circumstances warrant. Pursuant to a current Incentive Program, we offer financial incentives for certain qualified large scale prospective conversion franchises pursuant to certain terms and conditions. We will notify you in advance and in writing if we believe you may qualify for an Incentive Program. Unless you qualify for an Incentive Program and are notified by us in writing that you qualify, you will not be entitled to receive the benefits of any Incentive Program. Any Incentive Program we offer or may offer in the future may be modified, limited, expanded, initiated, extended or terminated at any time in our sole and absolute discretion and without advance notice or amendment of this Disclosure Document.

We also offer qualified applicants the ability to enter into a development agreement (an "**Area Development Agreement**") to develop multiple Franchised Businesses within a specifically described geographic area (the "**Development Area**"). Each Franchised Business developed pursuant to the Area Development Agreement will operate within a defined territory in the Development Area. Our current form of Area Development Agreement is attached to this Disclosure Document as Exhibit I. The size of the Development Area will vary depending on the local market conditions and the number of Franchised Businesses to be developed, but each territory within the Development Area will be based on total population blocks of approximately 100,000. The Development Area, and the territories within the Development Area, will be determined before you sign the Area Development Agreement and will be described in the Area Development Agreement or an attachment to it ("**Development Schedule**"). You must develop the number of Franchised Businesses specified by the Area Development Agreement in the Development Area according to, and in a sequence described in, the Development Schedule, though you may, in our sole and absolute discretion, develop more than one Franchised Business at a time. We reserve the right to refuse to enter into an Area Development Agreement with any franchisee as determined in our sole and absolute discretion. In addition, we are not required to offer or enter into an Area Development Agreement with franchisees that develop more than one Franchised Business.

For each Franchised Business developed under the Area Development Agreement, you must sign our then-current Franchise Agreement and any required addenda and related agreements, including a general release. You must also meet certain eligibility requirements in order to develop

Franchised Businesses pursuant to the Area Development Agreement, including that each of your Franchised Businesses maintain a minimum revenue of $500,000 per year. These eligibility requirements are discussed in greater detail in Item 12.

You (and your Owners if you are a business entity) must agree to be individually bound by certain obligations and covenants in the Area Development Agreement and, unless we agree otherwise, must personally guarantee your performance under the Area Development Agreement.

**Prior Business Experience**

We began offering franchises of the type described in this Disclosure Document in April 2003. We began offering Area Development Agreements of the type described in this Disclosure Document in February 2018.

**General Market for the Services/Competition**

The market for HVAC Services is well established. As the HVAC Services industry has developed, most homes have central air conditioning and heating systems. Those systems last from approximately seven to ten years on the average. The base of homes with central air conditioning and heating increases by the number of new homes that are built, less knock-downs. The replacement market continues to grow each year because of both the increased number of systems installed and the limited life of central air conditioning and heating units.

The primary market for HVAC Services is comprised of homeowners who own a single family residence with central air conditioning and heating. Another market is made up of homeowners whose residences do not yet have central air conditioning and heating. Service and replacement sales are seasonal and vary according to temperature fluctuations.

There are several large competitors doing business on a regional and/or national basis with multiple operations in multiple locations. These larger competitors include Sears®, Home Depot®, Lowe's®, Service Experts®, American Residential Services® and other franchises, as well as regional and local companies.

Direct Energy is an integrated provider of electricity and natural gas products and home services. Direct Energy's brands operate in 50 states in the United States and four provinces in Canada. Direct Energy, through its affiliates and various lines of business offers a wide range of energy related services to homes and businesses, including but not limited to, HVAC, plumbing, electrical, home improvements, home warranty products and protection plans, and water heater and electrical appliance services for residential customers; and energy audits, HVAC, photovoltaic power generation, building automation, facility maintenance and energy management consulting services for commercial, institutional and industrial customers. Direct Energy, through its affiliates and various lines of business, also offers connected "smart" devices for homes and businesses, including but not limited to thermostats, light bulbs, plugs, motion sensors, cameras, energy monitoring devices, HVAC diagnostic tools and related products, that may wirelessly connect and allow users to remotely control such devices through smartphones, tablets, computers, or other similar devices. Direct Energy's businesses may, directly or indirectly, compete with your Franchised Business.

## Regulations

In addition to laws applicable to business generally in your state, our franchisees are subject to licensing laws, which vary by state and sometimes by county or municipality, and federal laws dealing with refrigerant handling (including the servicing, disposing, or recycling of air conditioning and refrigerator equipment) that apply to all HVAC businesses. Some of these laws require any technician handling refrigerants to have a personal Environmental Protection Agency ("EPA") license. There are different levels of EPA licensing, depending on the size of the equipment the HVAC company repairs. A level two license is needed for residential work on equipment less than five tons. The type of residences that a five-ton air conditioning unit can serve varies depending upon geography, quality of construction, insulation, shading provided by trees and which direction the residence is facing. Generally, a five-ton unit can service a 5,000 square foot residence in areas like Chicago, Illinois, and a 2,500 square foot residence in areas like Houston, Texas.

You may need other specific types of licenses required by the jurisdictions in which you will operate. Check with your local licensing board, as well as with an attorney to learn about specific industry and contractor laws and regulations applicable to your business.

## Owner's Obligations

If you are a business entity, your individual Owners must sign the Owner's Guaranty attached to the Franchise Agreement and, if applicable, the Area Development Agreement. If any Owner of the business entity is not an individual, we have the right to require that the Owner's Guaranty also be executed by individuals who have indirect ownership of the business entity. We reserve the right to require any business entity or individual who signs an Owner's Guaranty to provide financial statements, and personal financial information as applicable, to us from time to time.

# Item 2
# BUSINESS EXPERIENCE

## Director and Corporate President: Manu Asthana

Mr. Asthana became Clockwork Services' President and Director in September 2016, when he also became the President of Direct Energy's North America Home business unit. Mr. Asthana also became our Director and corporate President, as well as Director and corporate President of Ben Franklin and Mister Sparky in September 2016. From November 2013 to September 2016, Mr. Asthana served as the President of Direct Energy's residential energy business in North America in its Houston, Texas office. From May 2010 to October 2013, Mr. Asthana was the head of Direct Energy's North American Midstream & Trading business unit in its Houston, Texas office. Mr. Asthana works in Clockwork Services' Houston, Texas office.

## President of Franchise: Mark Baker

Mr. Baker became President of the Franchise Division of Clockwork Services and operational President of One Hour, and of its affiliates, Ben Franklin and Mister Sparky, in August 2012. Since January 2017, Mr. Baker has also been the Senior Vice President of Direct Energy's

North America Home, Field Operations business unit. Mr. Baker works in Clockwork Services' Houston, Texas office.

**Senior Vice President of Franchise: Rick Yohn**

Mr. Yohn joined Clockwork Services as Vice President of Franchise Operations of One Hour, and of its affiliates, Ben Franklin and Mister Sparky, in January 2014. In January 2017, Mr. Yohn became the Senior Vice President of Franchise Operations. From October 2003 to January 2014, Mr. Yohn held various executive positions with RE/MAX. Until January 2014, Mr. Yohn had been Regional Vice President for RE/MAX, LLC, located in Denver, Colorado. Mr. Yohn works in Clockwork Services' Houston, Texas office.

**Vice President of Franchise Operations: Paul Brewster**

Mr. Brewster joined Clockwork Services as Director of Franchise Operations of One Hour, and of its affiliates Ben Franklin and Mister Sparky, in June 2015. In January 2017, Mr. Brewster became the Vice President of Franchise Operations. For a period ending in April 2015, Mr. Brewster held various executive positions with RE/MAX, LLC. Until April 2015, Mr. Brewster had been Sr. Regional Vice President, for RE/MAX, LLC, located in Denver, Colorado. Mr. Brewster works in Clockwork Services' Houston, Texas office.

**Vice President of Development: Troy Latuff**

Mr. Latuff became the Vice President of Development of One Hour, and of its affiliates, Ben Franklin and Mister Sparky, in September 2014, having been promoted from his dual role as Commercial Sales Director and National Sales and Marketing Director for Direct Energy's Home and Business Energy Services division. Mr. Latuff held this dual role from September 2012 to July 2014. Mr. Latuff works in Clockwork Services' Houston, Texas office.

**Vice President of Marketing: David Kozak**

Mr. Kozak joined Clockwork Services as Senior Director of Marketing of One Hour, and of its affiliates, Ben Franklin and Mister Sparky, in May 2012 and was promoted to Vice President Marketing in 2013. Mr. Kozak works in Clockwork Services' Houston, Texas office.

## Item 3
## LITIGATION

**Prior Actions**

Holland Heating and Air Conditioning, Inc., et al. v. One Hour Air Conditioning Franchising, L.L.C., Case No. 11-cv-01869-JDW-MAP, United States District Court for the Middle District of Florida. On August 18, 2011, Holland Heating and Air Conditioning, Inc., Holland Service Company, LLC, and Steve Holland (collectively, "Holland"), a One Hour franchisee in Wisconsin with two existing franchise agreements, filed, but did not serve, a complaint against Franchisor. Holland asserted that Franchisor did not have the right to collect a continuing franchise fee under one of the franchise agreements, that Franchisor was improperly collecting Continuing Franchise Fees for "air quality services" under both franchise agreements

and that Franchisor had improperly terminated four other franchise agreements in violation of the Wisconsin Fair Dealership Law. On August 5, 2011, prior to the filing of the complaint, Franchisor initiated the mediation process required by the franchise agreements. On October 13, 2011, the parties engaged in one-day mediation session. Following the mediation, the parties continued to seek to resolve the dispute, and on December 16, 2011, the parties entered into a mutual release agreement ("Mutual Release Agreement") resolving the dispute. Pursuant to the terms of the Mutual Release Agreement, Holland and One Hour agreed, without any admission of liability, to a mutual general release of claims. Holland also agreed to dismiss the suit. Holland further agreed that it was obligated to pay continuing franchise fees under both existing franchise agreements, including for "air quality services." On December 22, 2011, the Court entered an order dismissing the suit.

VenVest Ballard, Inc., et al. v. Clockwork, Inc., et al., Case No. 5:14-cv-00195-MWF-EX, (Central District of California) January 31, 2014. On January 31, 2014, Clockwork, Inc. and Clockwork IP, LLC (collectively "Defendants") were sued in the United States District Court for the Central District of California by entities owned by George Donaldson, including several companies that had been franchisees (collectively "Donaldson"). These entities were: (1) VenVest Ballard, Inc. (a former franchisee in California of One Hour Air Conditioning Franchising, L.L.C. and Benjamin Franklin Franchising, LLC); (2) Candlelight Electric, Inc. (a former franchisee in California of Mister Sparky Franchising, L.L.C.); and (3) Powerplay Equipment, LLC (a former franchisee in Arizona of One Hour Air Conditioning Franchising, L.L.C.). Continental Heating and Air Conditioning, Inc., another entity owned by George Donaldson, was also a plaintiff. The original complaint sought or alleged: (1) declaratory judgment that a slogan used by Donaldson's re-branded business and purportedly owned by Continental Heating and Air Conditioning, Inc. did not infringe trademarks held by Defendants; (2) declaratory judgment that certain non-competition provisions in a contract (separate from the franchise agreements) between the parties were void under California law; and (3) unfair competition. Defendants denied the allegations and asserted various defenses and counter claims. Subsequent pleadings added as plaintiffs On Time Plumbers, Inc. (a franchisee in Nevada of Benjamin Franklin Franchising, LLC), On Time Electricians, Inc. (a franchisee in Nevada of Mister Sparky Franchising, L.L.C.) and Benjamin Franklin Franchising, LLC, One Hour Heating and Air Conditioning, L.L.C. and Mister Sparky Franchising, L.L.C. Donaldson subsequently added claims for monetary damages, alleging franchisor improperly provided, to a neighboring franchisee, data about customers in the neighboring franchisee's owned territory. The parties filed a joint stipulation of dismissal on May 12, 2015.

This matter was resolved by agreement between the parties entered into on May 8, 2015 in which 1) the slogan that Donaldson requested the court declare non-infringing would be removed from use and its registration canceled by Donaldson, 2) Donaldson agreed to refrain from using any marks of the franchise system, or other intellectual property similar to those of the franchisor, including images of a clock, the phrase "on time", and any guarantees of payment or refund based on timeliness, 3) Defendants agreed not to use any of Donaldson's customer information, and 4) all other remaining claims between the parties were dismissed, and other customary terms common to such settlements were also agreed. On July 10, 2015, the court entered an order to close the case.

One Hour Air Conditioning Franchising, L.L.C. v. Dallas Unique Indoor Comfort, Ltd., Case No.8:13-cv-03278-JSM-MAP (Middle District of Florida) December 31, 2013. In this suit, Franchisor alleged that a former franchisee, Dallas Unique Indoor Comfort, Ltd. ("Defendant"),

continued to use a name and marks similar to One Hour's marks, continued to utilize the identifying characteristics of One Hour's system, and continued to operate by utilizing One Hour indicia of operation, each in violation of the Defendant's franchise agreement. A bench trial was held in November 2015 and the court entered a judgment in favor of Defendant on November 16, 2015. Defendant filed a motion for attorneys' fees and costs. The Defendant's motion for attorneys' fees and costs was resolved by agreement between the parties in which Franchisor agreed to pay Defendant $560,000. On January 14, 2016 a notice of settlement was filled with the court.

One Hour Air Conditioning Franchising, L.L.C. v. Holland Heating and Air Conditioning, Inc.; Steven D. Holland, Case 8:15-cv-02475; U.S. District Court, Middle District of Florida. On October 20, 2015, Franchisor filed suit against one of its franchisees, Holland Heating and Air Conditioning, Inc., and its owner, Steven Holland (collectively, "Defendants"), alleging breach of their franchise agreement, and breach of an expired franchise agreement, by operating a competing business that offers residential air conditioning and heating services. On March 24, 2016, Defendants filed a counterclaim against Franchisor claiming violation of the Wisconsin Fair Dealership Law, for allegedly failing to renew a franchise agreement and substantially changing the competitive circumstances, and breach of the implied duty of good faith and fair dealing, for allegedly breaching the franchise agreements and unfairly interfering with Defendants' receipt of benefits under the franchise agreements. The parties entered into a settlement agreement and release (the "Settlement Agreement") on June 6, 2016, in which they agreed to terminate Defendants' remaining franchise agreement, and signed a mutual general release, and in which the Defendants agreed to pay Franchisor $200,000 over a period of time. As part of the Settlement Agreement, the parties agreed that Defendants would comply with certain franchise agreement termination obligations and could continue to operate a heating and air conditioning business, provided that the business (i) does not operate in conjunction with the One Hour system or trademarks, and (ii) complies with other obligations in the Settlement Agreement. A notice of dismissal was filed on June 8, 2016.

Other than these actions, no further litigation is required to be disclosed in this Item.

## Item 4
## BANKRUPTCY

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

## Item 5
## INITIAL FEES

### Standard Initial Fees

The minimum initial fees ("**Initial Fees**") for both Conversion Franchises and Start-Up Franchises are $43,000, for a territory that has a minimum population of 100,000, plus $430 for each 1000 of population above 100,000. The population in a territory is generally approximately 100,000. We currently determine population by utilizing an electronic database called MapPoint®but reserve the right to use such other software or database to determine population as we deem fit in our sole and absolute discretion. In the spring of 2018 we intend to start using

another database called GbBIS, offered by Intelligent Direct, Inc., to determine population. GbBIS is expected to have the same or similar functionality as MapPoint. If we change our database from MapPoint to GbBIS (or another electronic database), it will not change how your Initial Fees are calculated. The electronic database we use shows population information by zip code. The Initial Fees must be paid in a lump sum, or for qualifying franchisees, may be financed in installment payments. The Initial Fees will be fully earned by us upon signing of the Franchise Agreement and are not refundable under any circumstances.

**Other Initial Fees Details**

Initial Fees paid may not be uniform. We may vary, reduce, negotiate or make an exception to our standard Initial Fees structure and/or payment terms in order to facilitate mergers, conversions or other large transactions, as well as to accommodate certain existing franchisees that acquire additional locations. For example, at the present time, we may, in our sole and absolute discretion, offer opportunities to purchase a franchise at a reduced fee to (i) qualified existing franchisees in good standing, (ii) qualified prospective franchisees that are converting existing companies to a Franchised Business or (iii) qualified veterans purchasing on the basis of the International Franchise Association's® VetFran® Program. We make no representations that these or any other opportunities or variations to the standard Initial Fees will continue to be made available and they may be discontinued without notice at any time in our sole and absolute discretion.

We are a member of the International Franchise Association ("IFA®") and participate in the IFA's VetFran Program which provides special financial incentives to qualified veterans. Pursuant to this program, we offer a 10% discount on the initial franchise fee for all honorably discharged veterans of American and Canadian armed forces for your first franchise only. We shall determine, in our sole and absolute discretion, whether a prospective franchisee qualifies for this discount. In making this determination, we may be guided by the definitions used by applicable United States or Canadian government offices, but the decision remains ours.

SuccessWare is a software package that we currently require for our franchises. The initial activation fee is included in your Initial Fees. SuccessWare will cost you $325 to $525 per month and the first month's payment of $325 to $525 is usually paid before opening for business and the payment is non-refundable. You must also pay for SuccessWare training courses at $1,795 for one to two people, which is usually paid before opening for business and the payment is non-refundable. (For each training course you pay for, a second person may attend the same training course at no additional charge by SuccessWare.) We estimate you will have to pay $1,795 to $3,590 for SuccessWare training courses, depending on the number of people that attend the SuccessWare training course. This amount is paid usually before opening for business and is non-refundable.

**Development Fee**

When you sign an Area Development Agreement, you must pay us a lump-sum, non-refundable development fee equal to $10,000 multiplied by the number of Franchised Businesses to be developed pursuant to the Development Schedule ("**Development Fee**"). The Initial Fees for each Franchised Business developed pursuant to the Development Schedule will be reduced to

$2,000, and the $2,000 Initial Fee will be owed at the time you sign each Franchise Agreement pursuant to the Development Schedule. The Development Fee may not be uniform for all area developers entering into an Area Development Agreement under this offering depending on the geographic area and other factors. Unless otherwise provided by state law in your jurisdiction, the Development Fee will be fully earned by us upon signing the Area Development Agreement and is not refundable under any circumstances.

## Item 6
## OTHER FEES

Individual Franchises

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Continuing Franchise Fees[6][7][9] (Conversion and Start-Up Franchisees) | 5% of Net Sales[2][8]<br>The minimum Continuing Franchise Fee is $1,500 per month. | Payable semi-monthly beginning on the 1st day of the month following 90 days after the effective date of your Franchise Agreement as stated on its Exhibit A. Payments are due by the 25th day of each month for Net Sales from sales from the 1st day through the 15th day of that month, and by the 10th day of each month for Net Sales from sales from the 16th day through the last day of the previous month.[3][4][5] | Payable to us. Continuing Franchise Fees can be raised (to a maximum of 10%) by us during periods when you are not in compliance with all terms of the Franchise Agreement. |
| Software Fees[9] | Range of $325 to $525 | Payable monthly. | Payable to SuccessWare and Vendor. |
| Marketing Fund Contributions[6][9][10] | As designated by us, but not to exceed 4% of Net Sales.[2] Initial contribution level set at 3% of Net Sales per month per franchise. | Payable semi-monthly 90 days after the effective date of your Franchise Agreement as stated on its Exhibit A. Payments are due by the 25th day of each month for Net Sales from sales from the 1st day through the 15th day of that month, and by the 10th day of each month for Net Sales from sales from the 16th day through the last day of the previous month. [3][4][5] | Payable to us. |
| Additional Training[1][9] | Currently $1,000 per day per person | When invoice received. | Payable to us. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | plus the trainer's travel and living expenses. | | |
| Audit Costs[1][9] | If an audit reveals a discrepancy of more than 3% in the underpayment of any fee, you must reimburse all of our expenses for the audit. We estimate the range of audit costs to be from $5,000 to $10,000. | As incurred | Payable to us. |
| Transfer Fee[6] | $10,000 | Half of the fee is due upon proposal of the Transfer, the remaining half of the fee is due when the Transfer is completed. | Payable to us. |
| Renewal Fee[6][9] | $10,000 | Upon renewal. | Payable to us. |
| Indemnification[1] | Amount of claims. | As incurred. | Payable to us or other Indemnified Parties. |
| Past Due Service Charge[1][9] | 1.5% per month or maximum permissible rate.[4] | Upon receipt of a demand for payment. | Payable to us. |
| Supplier Evaluation Fee[1][9] | You must reimburse us for our direct reasonable expenses incurred in inspecting the supplier's facilities. | Upon receipt of a request for payment. | Payable to us. |
| Past Due De-Identification Charge[1][9] | $500 per vehicle, per day, for each day your vehicle(s) | Upon receipt of a demand for payment. | Payable to us. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | continue to display our colors and other trademarks after the five day de-identification period that begins with the termination or expiration of the Franchise Agreement. | | |

Area Developers

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Transfer Fee(11) | $10,000 | Half of the fee is due upon proposal of the Transfer, the remaining half of the fee is due when the Transfer is completed. | Payable to us. |
| Indemnification(12) | Amount of claims. | As incurred. | Payable to us or other Indemnified Parties. |

**Notes**:

(1) Unless otherwise stated, this fee is imposed by, payable to and collected by us and is non-refundable. This fee is generally uniform as to prospective franchisees receiving a copy of this Disclosure Document. Franchisees that purchased a franchise before the issuance date of this Disclosure Document may, in some cases, pay a fee computed differently than is currently provided or may not be required to pay certain fees. Additionally, we make no representation that our fee structure will not change in the future.

(2) "**Net Sales**" means all sales and revenues (and any other income) from the performance of all services and the sale of all products from or related to the Franchised Business (or through or by means of the business conducted by the Franchised Business) whether or not authorized under the Franchise Agreement and whether or not inside the Territory (including proceeds of any business interruption insurance, revenues received for performing commercial services or sale of products to commercial customers, and any other revenue shown in your records, less sales taxes, bona fide refunds, rebates or discounts to customers; bona fide and reasonable payments made in the ordinary course of business to unaffiliated subcontractors who perform

services unrelated to Franchisee's core business and at Franchisee's customer's premises; and any reasonable and customary job specific permit fees paid to any government entities). Under the Franchise Agreement, you acknowledge that Net Sales includes, but is not limited to, all sales and revenue related to your sale and delivery of any products and services of any kind (whether or not we approve them) that were procured or delivered in any manner using any portion of the Franchised Business, including the Licensed Marks (such as trucks, vehicles, invoices, patches, and uniforms bearing the Licensed Marks), the System, Confidential Information, or any of the employees of the Franchised Business or the telephone number of the Franchised Business.

(3) If you fail to send us the Net Sales reports along with the month-end Profit and Loss Statement required in the Franchise Agreement when they are due, we may estimate your Net Sales for the current period as 15% greater than your previously recorded Net Sales. In the Franchise Agreement, you authorize us to withdraw Continuing Franchise Fee payments based on this estimate of Net Sales. We will not refund any difference between estimated Continuing Franchise Fees and actual Continuing Franchise Fees after you submit the delinquent Net Sales reports.

(4) If any amount or reporting you owe to us under the Franchise Agreement is past due, we have the right to assess and collect a past due service charge, which will not exceed the lesser of 1.5% per month or the maximum permissible rate on any past due amounts. Past due service charges may include, without limitation, interest charges, and charges and assessments for past due reporting.

(5) These payments are to be made by electronic funds transfer for Net Sales received in the previous period. The Franchisee will be required to complete an Automated Clearing House (ACH) agreement authorizing automatic withdrawals.

(6) Unless otherwise stated, this fee is imposed by, payable to, and collected by us and is non-refundable. The circumstances of individual prospective or existing franchisees receiving a copy of this Disclosure Document may vary and in such cases the fee may not be uniform. Franchisees that purchased a franchise before the issuance date of this Disclosure Document may, in some cases, pay a fee computed differently than is currently provided or may not be required to pay certain fees. Additionally, we make no representation that our fee structure will not change in the future. Affiliate-Owned Businesses do not pay Continuing Franchise Fees.

(7) For conversion franchisees (each, a "Conversion Franchisee") that qualify for and choose to participate in an existing Incentive Program, the Continuing Franchise Fee may be calculated at a rate of: (i) 5% for the first $6,000,000 of combined Net Sales for all territories served by the franchisee ("**Territory Group**"), (ii) 4% of combined Net Sales for the Territory Group between $6,000,000.01 and $10,000,000, and (iii) 3% of combined Net Sales of the Territory Group above $10,000,000. Net Sales used to calculate the Continuing Franchise Fee rate will reset to zero dollars at the start of each calendar year during the term. You will be notified in writing if you qualify for an incentive program and the Continuing Franchise Fee rates described in this note. We reserve the right to cancel the Incentive Program or change any of

the terms of the program, including fees you will pay, at any time. You are not entitled to receive the fees referred to in this note unless agreed to by us in writing.

(8) If we enter into an Area Development Agreement with you, your Continuing Franchise Fee will be reduced to 3% of Net Sales, payable semi-monthly, for each Franchised Business within the Development Area developed pursuant to the Area Development Agreement.

(9) Area developers that qualify for and sign an Area Development Agreement may pay reduced fees.

(10) For franchisees that qualify for and choose to participate in an existing Marketing Fund pilot program, the Marketing Fund Contribution may be calculated at a lower rate. You will be notified in writing if you qualify for a pilot program and the Marketing Fund Contribution rates described in this note. We reserve the right to cancel the pilot program or change any of the terms of the pilot program, including fees you will pay, at any time.

(11) Unless otherwise stated, this fee is imposed by, payable to, and collected by us and is non-refundable. The circumstances of individual prospective or existing area developers receiving a copy of this Disclosure Document may vary and in such cases the fee may not be uniform. Additionally, we make no representation that our fee structure will not change in the future.

(12) Unless otherwise stated, this fee is imposed by, payable to and collected by us and is non-refundable. This fee is generally uniform as to prospective area developers receiving a copy of this Disclosure Document.

## Item 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT
### Conversion Franchises [1]

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Fee[2] | $43,000 | Lump sum or financed. | On signing of Franchise Agreement. | Us |
| Rent/Lease of Real Estate Property[3] | $0 to $13,500 | As arranged. | As incurred. | Landlord |
| Leasehold Improvements[4] | $0 to $5,000 | As arranged. | As incurred. | Contractor or Landlord. |
| Computer Systems[5] | $0 to $2,250 | As arranged. | As incurred. | Vendors |
| Software[6] | $1,810 to $4,360 | As arranged. | Monthly | SuccessWare and Vendor. |

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Office Furniture and Equipment[7] | $0 to $5,000 | As arranged. | As incurred. | Vendors |
| Machinery, Tools and Equipment[8] | $0 to $10,000 | As arranged. | As incurred. | Vendors |
| Updating Trucks[9] | $0 to $20,000 | Lump sum or installments. | As incurred or periodically. | Vendors |
| Signage for Trucks[10] | $7,000 to $17,500 | As arranged. | As incurred. | Vendors |
| Office Signage[11] | $2,500 to $3,000 | As arranged. | As incurred. | Vendors |
| Yellow Pages, Internet- based Pay Per Click, Direct Response and Radio[12] | $6,000 to $33,000 | As arranged. | As incurred. | Vendors |
| Initial Promotional Inventory[13] | $1,000 | As arranged. | As incurred. | Vendors |
| Travel Expenses for Initial Classroom Training [14] | $1,100 to $3,300 | As arranged. | As incurred. | Hotels, restaurants and carriers. |
| Travel Expenses for Initial Computer Training[14] | $1,100 to $3,300 | As arranged. | As incurred. | Hotels, restaurants and carriers. |
| Initial Computer Training[15] | $1,795 to $3,590 | As arranged. | As incurred. | SuccessWare |
| Initial Vehicle Inventory[16] | $0 to $10,000 | As arranged. | As incurred. | Vendors |
| Workers' Compensation Insurance Premium[17] | $2,000 to $4,000 | As arranged. | As incurred. | Vendors |
| Start-up Supplies[18] | $4,000 to $9,000 | Lump sum. | As purchased. | Vendors |
| Insurance[19] | $0 to $5,000 | Lump sum or installments. | As purchased. | Insurers |
| Truck Registration Fees[20] | $0 to $500 | Lump sum. | As incurred. | State or local government. |

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Decals for Consumer Units[21] | $500 | As arranged. | As incurred. | Vendors |
| Phone Facts[22] | $0-$62 | As arranged. | As incurred. | Vendor |
| Personal Tools for Technicians[23] | $0 to $1,000 | As arranged. | As incurred. | Vendors |
| Additional Funds 1-3 months[24] | $10,000 to $50,750 | As arranged. | As incurred. | Employees, suppliers and utilities. |
| **TOTALS** | **$81,805 to $248,612** | | | |

**Notes**:

(1) Currently the majority of our franchisees are Conversion Franchisees who convert an existing residential HVAC Services business into a Franchised Business. This is our best estimate of the costs Conversion Franchisees will incur to convert an existing residential HVAC Services business into a Franchised Business that services one Territory with a population of 100,000 based on our many years of experience in the HVAC Services and other home services businesses. We anticipate that Conversion Franchises will have a facility of 2,000 to 3,000 square feet. The factors that underlie this estimate can vary considerably depending on a number of variables, including the number of vehicles, the number of employees, the physical size and location of your Territory, local signage codes and other items, and local Yellow Pages or comparable telephone directory advertising costs. If you purchase a Territory with a population greater than 100,000 or if you purchase more than one Territory, you will incur greater pre-opening expenses due to the additional Initial Fees you will have to pay and additional expenses involved in servicing a larger population such as additional employees, equipment and trucks. Because there are so many variables specific to a Conversion Franchise, we cannot estimate these conversion expenses for a Conversion Franchise purchasing more than one Territory with a population of 100,000. Any investment you may make may be lesser or greater than the estimates given. Where a "0" number appears, it is possible that you may already have the listed item or items. None of these expenses are refundable, except possibly certain deposits and pre-paid expenses.

(2) The Initial Fees are discussed in Item 5. A Conversion Franchisee's total estimated initial investment ranges from $81,805 to $248,612. The $43,000 in Initial Fees applies to a franchisee that signs the Franchise Agreement and has a territory whose population is approximately 100,000. Territories may differ in size. A Territory of approximately 100,000 is the required minimum size for a new franchisee. For a territory with a population greater than 100,000, the Initial Fees owed will be $43,000 plus $430 for each additional 1,000 of population above 100,000. Some franchisees may be able to finance the Initial Fees. See Item 10 for further discussion of this financing possibility.

(3) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost of this item and that the facility is of adequate size for the Franchised Business. If you need to lease a facility, you will need approximately 2,000 to 3,000 square feet for your Franchised Business. The cost per square foot of commercial space varies considerably depending on the location and market conditions affecting commercial property. We estimate the cost per month for a 2,000 square foot facility to range from $1,000 to $4,500, and the initial period will cover the first three months. This figure does not include the cost of security deposits of one month's or two months' rent which may be required by the landlord.

(4) You will need to install wiring for communications systems that comply with our specifications - high speed ASP compatibility, e-mail, and exclusive phone and fax lines. Paint inside and out, and flooring must be new or like new. The cost will vary depending on the condition of the premises.

(5) You will need a computer (including peripheral devices, such as monitors and printers) with internet access and e-mail capability, a telephone, a dedicated fax machine, and we estimate the cost for this equipment to be $2,250. Costs will vary depending on your current equipment. You might not incur any computer expense if you are already on the SuccessWare21 (ASP Option) software.

(6) If you have not already installed SuccessWare21 (ASP Option)™ software (and all other software we designate for use in your Franchised Business), you will have to do so before your Franchised Business opens. You must pay for ongoing license fees, which, for a typical franchisee, currently ranges between $325 and $525 per month for SuccessWare21 (ASP Option) depending upon the number of locations and the number of lines of business for which you use the software, and upgrade and replacement costs. There will also be hosting fees for the ASP Option, currently $48 per month per logon/workstation (a typical operation requiring a minimum of two workstations) and to purchase the virus protection software the range is $145 to $500 and the cost of the content management software ranges from $145 to $500. You will have to install a firewall protection system which ranges between $250 to $1,500.

(7) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost of these items. If you do not already have them, you will need desks, shelving, seating, copy machines and other office furniture and equipment.

(8) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost of these items. If you have not already done so, you will need to equip your trucks with machinery, tools and other equipment, including inspector cameras for inspecting furnaces. Our Operations Manual provides a list of recommended machinery, tools, and other equipment purchases.

(9) Because this table relates to the conversion of an existing HVAC business to a One Hour Franchised Business, we have assumed the prospective Conversion Franchisee has already incurred the cost of trucks. The number of trucks you will need typically ranges from two to five trucks for a Conversion Franchise in one Territory with a population of 100,000. A Conversion Franchise with a larger Territory or multiple Territories may require additional trucks. If you do not already have them, you must lease or buy at least two trucks that meet our requirements and have one other office vehicle. The trucks must meet the requirements in the Operations Manual, be operable, be less than seven years old, free of rust and be painted and/or wrapped to our specifications. The trucks must be able to accommodate the basic inventory list, including shelving. Only specific truck designs will be allowed and we must approve your truck design. Many or all of your existing trucks may already meet our requirements. We have approved vendors who can lease approved trucks and signage at competitive prices. Use of these vendors may be advantageous to you, but you are not required to use them, unless you qualify for and choose to participate in an Incentive Program.

(10) You must paint or wrap your trucks and add signage. We estimate this cost to be approximately $3,500 per truck. You must purchase artwork for your truck signage bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your proofs of the artwork for your truck signage, the cost is no longer refundable. The number of trucks you will need typically ranges from two to five trucks for a Conversion Franchise in one Territory with a population of 100,000. A Conversion Franchise with a larger Territory or multiple Territories may require additional trucks.

(11) You must identify your office by the Licensed Marks with approved signage. You must purchase artwork for your office signage bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(12) You must be represented in the local Yellow Pages or comparable telephone directory including both print and internet-based directories ("**Yellow Pages**"), if available, covering your Territory as soon as possible after opening your Franchised Business. You must conduct extensive advertising before and just after opening your Franchised Business. You may choose to use internet-based, radio advertising, television, direct mail, newspapers, penny savers and other methods. These will vary by market, and you may choose to use all or only some of these methods to promote your business. The costs for these items are approximately $1,000 to $3,000 per month for Yellow Pages or comparable telephone directory, approximately $4,000 for direct response marketing, and approximately $8,000 per month for radio advertising. We recommend that you spend at least 8% to 12% of Net Sales each year on advertising, including methods (commonly referred to as "Pay Per Click") to promote internet traffic to your Franchised Business. Since you may already be advertising, this may not be a new expense. You must purchase artwork for Yellow Pages, or other comparable telephone directory, and internet-based Pay Per Click advertisements bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(13) We recommend you purchase promotional items, including stickers, magnets and other logo emblazoned items, announcing your new affiliation with One Hour. It should cost approximately $1,000 to purchase an opening stock of promotional items. You must purchase artwork for promotional items bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(14) We provide you with the Training Program at no charge, but you must pay for transportation, lodging and meals for Owner(s) and any senior management level employees who attend the classroom portion of the Training Program (the classroom portion is also sometimes referred to as phase two of the Training Program),classroom training and you will have to pay the wages of your senior management level employees. These estimates are for two senior management level employees and an Owner. The cost will vary depending on the distance you must travel and the accommodations and meals you choose.

(15) Your senior management level employees and an Owner all have to be trained to use the SuccessWare21 (ASP Option) software. The cost is $1,795 for one to two people payable directly to SuccessWare, Inc. For each training course you pay for, a second person may attend the same training course at no additional charge by SuccessWare. This estimate is to train two to four people. This is a SuccessWare four-day training course. SuccessWare also offers other optional web classes at an additional cost.

(16) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed the prospective Conversion Franchisee has already incurred the cost for the inventory. A typical service truck needs up to $6,000 of supplies and a maintenance truck needs up to $2,000 of supplies. It is expected that you start with two service trucks and one maintenance truck. Costs will vary depending on your current inventory. We may describe the inventory of supplies you will need in the Operations Manual. Costs will vary depending on your current inventory. You may already own the inventory you need for your trucks. If so, you would only need to complete the inventory if your existing inventory does not match our inventory list. We also have arrangements with vendors that you may use who provide consignment inventory to lower initial costs.

(17) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost of these items. If you have to make additional deposits, we estimate that deposits for insurance for workers' compensation would be approximately $2,000 per employee per year, with total workers' compensation premiums of approximately $4,000. These amounts may vary from state to state. Normally, on early termination there may be a cancellation penalty, but you may receive a pro-rated refund for early cancellation.

(18) You will need to purchase business cards, stationery, invoices, uniforms and patches from approved suppliers. Also, you will need to purchase basic office supplies. You must purchase artwork for start-up supplies bearing the Licensed Marks from an approved vendor

before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(19) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed the prospective Conversion Franchisee has already incurred the cost for insurance. If you have to buy additional insurance your costs may increase. Additionally, insurance cost estimates for a year vary by state and by location. You may be able to use preferred vendors of the BuyMax program described in Item 8. The conversion cost will be the difference between the costs of the coverage you have and that of the coverage we require, if any.

(20) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost to register two to five trucks. These registration fees will vary from state to state and you probably have already paid these amounts. If you have to buy additional trucks, you will need to register your trucks with the state and local motor vehicle authorities.

(21) You will need to purchase and maintain a supply of decals with the One Hour logo and phone number to attach to consumer units you service or install. You must purchase artwork for decals bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(22) You must obtain and utilize a new telephone number for the Franchised Business through Phone Facts®, which is a national telephone, caller analytics, and recording system we or one of our affiliates have organized for franchisees through a BuyMax vendor we designate. Rates are set by the vendor, and may be adjusted from time to time but we estimate they are currently $20.50 each month for each telephone line. Currently, the vendor we designate does not charge new franchisees (as opposed to renewing franchisees or franchisees receiving a transfer of an existing One Hour franchise) for Phone Facts use for up to three lines for the first twelve months but reserves the right to do so in the future. The estimate assumes three telephone lines.

(23) Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed that the prospective Conversion Franchisee has already incurred the cost of acquiring tools. Your technicians should have their own tools. However, you may need to keep a set of tools on hand to loan to a technician.

(24) Our estimate of these expenses covers the period prior to the date the franchise opens until the end of the third month of business. You will need to have sufficient additional capital to cover ongoing expenses, such as salaries for approximately two employees and yourself and the expense of uniforms and drug testing for your employees. The estimate given is the amount of additional funds; we estimate you will need to cover these expenses during the initial three months. This estimate depends upon many factors including the timing in which you staff your operation and hire additional employees, anticipated salaries of those employees and funds required to service any debt you may have incurred. These are estimates only, and are based on our many years of experience in the air conditioning and

heating service and other home services businesses and as Franchisor. These estimates will vary based on your individual circumstances.

Because this table relates to the conversion of an existing HVAC Services business to a One Hour Franchised Business, we have assumed the prospective Conversion Franchisee has some ability to meet ongoing expenses that may arise during the conversion period. As a result, this "Additional Funds" category for Conversion Franchisees is lower than the amount listed for "Additional Funds" in the next chart for start-up franchisees (each, a "**Start-Up Franchisees**").

**YOUR ESTIMATED INITIAL INVESTMENT**
**Start-Up Franchises [(1)]**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Fees[(2)] | $43,000 | Lump sum or financed. | On signing of Franchise Agreement. | Us |
| Rent/Lease of Real Estate Property[(3)] | $3,000 to $13,500 | As arranged. | As incurred. | Landlord |
| Leasehold Improvements[(4)] | $7,500 to $15,000 | As arranged. | As incurred. | Contractor or Landlord. |
| Computer Systems[(5)] | $2,250 | As arranged. | As incurred. | Vendors |
| Software[(6)] | $1,810 to $4,360 | As arranged. | Monthly. | SuccessWare and Vendor. |
| Office Furniture and Equipment[(7)] | $1,000 to $19,250 | As arranged. | As incurred | Vendors |
| Machinery, Tools and Equipment[(8)] | $10,000 to $25,500 | As arranged. | As incurred. | Vendors |
| Trucks[(9)] | $40,000 to $90,000 | Lump sum or installments. | As incurred or periodically. | Vendors |
| Signage for Trucks[(10)] | $7,000 to $10,500 | As arranged. | As incurred. | Vendors |
| Office Signage[(11)] | $2,500 to $3,000 | As arranged. | As incurred. | Vendors |
| Yellow Pages, Internet-based Pay Per Click, Direct Response and Radio[(12)] | $6,000 to $33,000 | As arranged. | As incurred. | Vendors |
| Initial Promotional Inventory[(13)] | $1,000 | As arranged. | As incurred. | Vendors |
| Travel Expenses for Initial Classroom Training [(14)] | $1,100 to $3,300 | As arranged. | As incurred. | Hotels, restaurants and carriers. |

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Travel Expenses for Initial Computer Training [(14)] | $1,100 to $3,300 | As arranged. | As incurred. | Hotels, restaurants and carriers. |
| Initial Computer Training[(15)] | $1,795 to $3,590 | As arranged. | As incurred. | SuccessWare |
| Initial Vehicle Inventory[(16)] | $1,000 to $10,000 | As arranged. | As incurred. | Vendors |
| Workers' Compensation Insurance Premium[(17)] | $2,000 to $4,000 | As arranged. | As incurred. | Vendors |
| Start-up Supplies[(18)] | $4,000 to $21,000 | Lump sum. | As purchased. | Vendors |
| Insurance[(19)] | $5,000 to $20,000 | Lump sum or installments. | As purchased. | Insurers |
| Truck Registration Fees[(20)] | $1,500 to $2,000 | Lump sum. | As incurred. | State or local government. |
| Decals for Consumer Units[(21)] | $500 | As arranged. | As incurred. | Vendors |
| Phone Facts[(22)] | $0-$62 | As arranged. | As incurred. | Vendor |
| Personal Tools for Technicians[(23)] | $1,000 to $2,000 | As arranged. | As incurred. | Vendors |
| Additional Funds 1–3 months[(24)] | $115,750 to $205,750 | As arranged. | As incurred. | Employees, suppliers and utilities. |
| **TOTALS** | **$259,805 to $535,862** | | | |

**Notes**:

(1) This is our best estimate on the costs you will incur to develop and open a Franchised Business as a Start-Up Franchise that services one Territory with a population of 100,000 based on our many years of experience in the HVAC Services and other home services businesses and as Franchisor. We anticipate that new development franchises will have a facility of 2,000 to 3,000 square feet. The factors that underlie this estimate can vary considerably depending on a number of variables, including the geographic location, the going rate for real estate rentals, utilities and other items, and local Yellow Pages or comparable telephone directory advertising costs. Any investment you may make may be lesser or greater than the estimates given. If you purchase a Territory with a population greater than $100,000 or if you purchase more than one Territory you will incur greater pre-opening expenses due to the additional Initial Fees you will have to pay and additional expenses involved in servicing a larger population such as additional employees, equipment and trucks. None of these expenses are refundable, except possibly deposits and pre-paid expenses.

(2) The Initial Fees are discussed in Item 5. A Start-up Franchise's total estimated initial investment ranges from $259,805 to $535,862. The $43,000 in Initial Fees applies to the franchisee that signs the Franchise Agreement and that has a territory whose population is approximately 100,000. Territories may differ in size. A Territory of approximately 100,000 is the required minimum size for a new franchisee. For a territory with a population greater than 100,000, the Initial Fees owed will be $43,000 plus $430 for each additional 1,000 of population above 100,000. Some franchisees may be able to finance the Initial Fees. See Item 10 for further discussion of this financing possibility.

(3) You must decide whether to purchase real property as a private investment. We will not purchase real estate to sublease to you. These numbers anticipate that you will lease a facility. You must have an adequately sized facility. The cost per square foot of commercial space varies considerably depending on the location and market conditions affecting commercial property. We estimate the cost per month to lease a 2,000 square foot facility to range from $1,000 to $4,500, and the initial period covers the first three months. The estimated initial investment for a Start-Up franchisee could include the cost of security deposits of one month's or two months' rent which may be required by the landlord. If you already own the real estate to be used, the cost would be $0, although there may be property taxes payable.

(4) You will need to install wiring for communications systems that comply with our specifications - high speed ASP compatibility, e-mail, and exclusive phone and fax lines. The interior of your facility must have clean carpeting, ceiling structure, walls, etc. All must be in new or like new condition. The exterior of your facility must also be in new or like new condition. The cost will vary depending on the condition of the premises.

(5) You will need a computer (including peripheral devices, such as monitors and printers) with internet access and e-mail capability, a telephone, a dedicated fax machine , and we estimate the cost for this equipment to be $2,250. Costs will vary depending on your current equipment, if any.

(6) You will have to install SuccessWare21 (ASP Option) software (and all other software we designate for use in your Franchised Business) within three months after we designate this use. You must pay for ongoing license fees, which, for a typical franchisee currently ranges between $325 and $525 per month for SuccessWare21 (ASP Option) depending upon the number of locations and the number of lines of business for which you use the software, and upgrade and replacement costs. There will also be hosting fees for the ASP Option, currently $48 per month per logon/workstation (a typical operation requiring a minimum of two workstations) and to purchase the virus protection software the range is $145 to $500 and the cost of the content management software ranges from $145 to $500. You will have to install a firewall protection system which ranges between $250 and $1,500 to purchase.

(7) You will need desks, shelving, seating, copy machines and other office furniture and equipment.

(8) You will need to equip your trucks with machinery, tools and other equipment, including inspector cameras for inspecting furnaces. Our Operations Manual provides a list of recommended machinery, tools, and other equipment purchases.

(9) You must own, lease or buy at least two trucks that are operable and meet our requirements in the Operations Manual and are less than seven years old. (Trucks cost from $20,000 to $45,000 each if purchased.) We recommend you have one other office vehicle. The trucks must be free of rust and be painted and/or wrapped to our specifications. The truck must be able to accommodate the basic inventory list, including shelving. Only specific truck designs will be allowed and we must approve your truck design. We have approved vendors who can lease approved trucks and signage at competitive prices. Using these vendors may be advantageous to you, but you are not required to use them. A Start-Up Franchise with a larger Territory or multiple Territories may require additional trucks.

(10) You must paint or wrap your trucks and add signage. We estimate this cost to be approximately $3,500 per truck. You must purchase artwork for truck signage bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(11) You must identify your office by the Licensed Marks with approved signage. You must purchase artwork for office signage bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(12) You must be represented in the local Yellow Pages or comparable telephone directory, including both print and internet-based directories, if available, covering your Territory as soon as possible after opening your Franchised Business. You must conduct extensive advertising before and just after opening your Franchised Business. You may choose to use internet-based, radio advertising, television, direct mail, newspapers, penny savers and other methods to promote your business. The costs for these items are approximately $1,000 to $3,000 per month for Yellow Pages or comparable telephone directory, approximately $4,000 for direct response marketing, and approximately $8,000 per month for radio advertising. We recommend that you spend at least 8% to 12% of Net Sales each year on advertising, including methods (commonly referred to as "Pay Per Click") to promote internet traffic to your Franchised Business. You must purchase artwork for Yellow Pages, or other comparable telephone directory, and internet-based Pay Per Click advertisements bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(13) We recommend you purchase promotional items, including stickers, magnets and other logo emblazoned items, announcing your new affiliation with One Hour. It should cost approximately $1,000 to purchase an opening stock of promotional items. You must purchase artwork for promotional items bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(14) We provide you with the Training Program at no charge, but you must pay for transportation, lodging and meals for Owner(s) and any senior management level employees who attend classroom training, and you will have to pay the wages of your senior management level employees. These estimates are for two senior management level employees and an Owner. The cost will vary depending on the distance you must travel and the accommodations and meals you choose.

(15) Your senior management level employees and an Owner all have to be trained to use the SuccessWare21 (ASP Option) software. The cost is $1,795 for one to two people payable directly to SuccessWare, Inc. For each training course you pay for, a second person may attend the same training course at no additional charge by SuccessWare. This estimate is to train two to four people. This is a SuccessWare four-day training course. SuccessWare also offers other optional web classes at an additional cost.

(16) You must purchase an opening inventory of supplies for your trucks before opening your Franchised Business. A typical service truck needs up to $6,000 of supplies and a maintenance truck up to $2,000 of supplies. It is expected that you will start with two supply trucks and one maintenance truck. Costs will vary according to your market area. We may describe the inventory of supplies you will need in the Operations Manual. We also have arrangements with vendors that you may use who provide consignment inventory to lower initial costs.

(17) We estimate that deposits for insurance for workers' compensation may be approximately $2,000 per employee per year, with total workers' compensation premiums of approximately $4,000. These amounts may vary from state to state. Normally, upon early termination there may be a cancellation penalty, but you may receive a pro-rated refund for early cancellation.

(18) You will need to purchase business cards, stationery, invoices, uniforms and patches from approved suppliers. Also, you will need to purchase basic office supplies. You must purchase artwork for start-up supplies bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(19) We estimate that you may have other insurance costs, for instance general liability approximately $4,000; vehicles approximately $4,000; health approximately $12,000. These expenses will vary from state to state and on your and your business' individual circumstances. You may wish to use preferred vendors in the BuyMax program described in Item 8.

(20) You will need to register your two trucks with the state and local motor vehicle authorities. These registration fees will vary from state to state.

(21) You will need to purchase and maintain a supply of decals with the One Hour logo and phone number to attach to consumer units you service or install. You must purchase artwork for decals bearing the Licensed Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(22) You must obtain and utilize a new telephone number for the Franchised Business through Phone Facts, which is a national telephone, caller analytics, and recording system we or one of our affiliates have organized for franchisees through a BuyMax vendor we designate. Rates are set by the vendor, and may be adjusted from time to time, but we estimate they are currently $20.50 each month for each telephone line. Currently, the vendor we designate does not charge new franchisees (as opposed to renewing franchisees or franchisees receiving a transfer of an existing One Hour franchise) for Phone Facts use for up to three lines for the first twelve months but reserves the right to do so. The estimate assumes three telephone lines.

(23) Your technicians should have their own tools. However, you may need to keep a set of tools on hand to loan to a technician.

(24) Our estimate of these expenses covers the period prior to the date the franchise opens until the end of the third month of business. You will need to have sufficient additional capital to cover ongoing expenses, such as salaries for approximately two employees and yourself and the expense of uniforms and drug testing for your employees. The estimate given is the amount of additional funds we estimate you will need to cover these expenses during the first three months. This estimate depends upon many factors including the timing in which you staff your operation and hire additional employees, anticipated salaries of those employees and funds required to service any debt you may have incurred. These are estimates only, and are based on our many years of experience in the HVAC Services and other home services businesses. These estimates will vary based on your individual circumstances.

As used in this Item 7, "As arranged" means as agreed between you and the supplier or vendor, and "As incurred" means as you incur the applicable expense.

ESTIMATED INITIAL INVESTMENT FOR AREA DEVELOPMENT AGREEMENT. If you sign an Area Development Agreement, your initial investment for your first Franchised Business may be the same as disclosed in the applicable Item 7 chart. You also will pay a one-time Development Fee as described in Item 5. The Initial Fees for each Franchised Business you develop pursuant to the Area Development Agreement is set forth in Item 5. Your initial investment for your second and subsequent Franchised Business likely will be higher than the above estimates for your first Franchised Business due to inflation and other economic factors that may vary over time.

You should review these estimates carefully with an accountant or other business advisor before making any decisions to buy a Franchised Business or convert an existing HVAC Service business into a Franchised Business. The figures shown in this Item 7 are only estimates. We cannot guarantee that you will not have additional expenses.

## Item 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Products, Supplies and Services

We reserve the right to specify the products and services offered by franchisees. Those products and services currently specified are noted herein, and may be further defined in our Operations Manual. Trucks, inventory, equipment, tools, patches, uniforms, computers, insurance and telephones must meet our specifications. These specifications are included in our internet catalog or our Operations Manual, each of which is available to our Franchisees. We may amend the specifications at any time as we feel appropriate in our sole and absolute discretion. We may seek your ideas regarding the specifications for these products, but we have the final decision making authority.

All products and services not described in this Item or our Operations Manual, can be purchased from vendors of your choice as long as the products or services meet our then current specifications.

Currently, we are not an approved supplier for any product or service except SuccessWare21 (ASP Option) software support and training through our affiliate SuccessWare

and you are not required to purchase or lease any other products from us. We will not derive revenues or other material consideration from your required purchases or leases. We do not provide material benefits to our franchisees based on their purchase of particular products or services.

We estimate that the proportion of your required purchases and leases from approved suppliers to all purchases and leases by you of goods and services in establishing the Franchised Business is 20% to 25% for Conversion Franchisees and 50% to 60% for Start-Up Franchisees. During ongoing business operations, we estimate that the proportion of your required purchases and leases from approved suppliers to all purchases and leases by you of goods and services in operating the Franchised Business is less than 5% for Conversion Franchisees and Start-Up Franchisees.

**Telephone Systems**

You must obtain and utilize a new telephone number for the Franchised Business as part of a coordinated telephone system we or one of our affiliates have organized for One Hour HVAC businesses and stop marketing or reroute through Phone Facts (described below) any telephone numbers used in your prior HVAC Service business ("**Prior Business**") as soon as commercially reasonable, but no later than 30 days after the effective date of your Franchise Agreement. We currently require franchisees to use Phone Facts, a national telephone, caller analytics, and recording system operated by an independent third party, and reserve the right to require you to use our branded toll-free number through Phone Facts.

**SuccessWare**

Our affiliate, SuccessWare, supplies the software package that we currently designate for use in your Franchised Business. The software package, SuccessWare 21 (ASP Option), provides you with the system on which to run your business, from call taking and dispatching, through procurement, inventory management, and accounting processes. This software is available to all contractors in the service industry, not only our Franchised Businesses. The initial activation fee for your Franchised Business is included in your Initial Fees; you will be responsible for the monthly licensing fee which includes all upgrades, maintenance and technical assistance. You will also be required to complete a four-day SuccessWare21 (ASP Option) training program in Buffalo, New York. The cost of training is $1,795 for one to two people. For each training course you pay for, a second person may attend the same training course at no additional charge by SuccessWare. Your data will be hosted by an unrelated third-party data hosting provider and you will be responsible for their monthly per-user fee. SuccessWare offers both classroom and web-based training on a tuition basis. The courses cover set-up and processing, basic fundamentals, and specific topics such as customer service, accounts payable, and timecard management.

For fiscal year 2017, SuccessWare had total revenues of approximately $6,035,400 (unaudited). Approximately $440,993 was from sales to our One Hour franchisees, which represents 7.31% of SuccessWare's total revenue. Approximately $21,875 was from sales to our Company-Owned Outlets, which represents 0.36% of SuccessWare's total revenue. The information used to compute revenues of SuccessWare from sales to our franchisees was provided by SuccessWare from its internal accounting records and other documentation and has not been audited.

At this time, we are working with our affiliates and third parties to develop and test a new software package and system that would replace SuccessWare21 (ASP Option). Once we have completed the development and testing of the software package and system and designated it as the required software in place of SuccessWare21 (ASP Option), we anticipate all franchisees will have to purchase the new software package from us or an affiliate and begin using the new software package instead of SuccessWare 21 (ASP Option) as their exclusive business management software. We currently anticipate the conversion to the new software will occur during the second quarter of 2019, or such other date we may determine in our sole and absolute discretion. We believe this replacement software package will have sales related functionality, permit the sharing of data between you and us, and require your participation in data sharing. Franchisees will have to switch to the new software at their own expense and must do so within 30 days of notice from us. Currently, we do not have information as to the cost to convert to and operate the new software. The new software will also be available for use by other companies within the Direct Energy group of companies.

**UWIN**

You, like all our franchisees, must participate in our affiliate UWIN's customer complaint resolution program. You will execute the Participation Agreement with UWIN, attached as **Exhibit L**, and will participate and timely and faithfully perform all of your obligations under the Participation Agreement. Neither we, Clockwork Services nor UWIN charge a fee or impose a cost to participate in the customer complaint resolution program (although you may occasionally incur costs related to the 100% customer satisfaction guarantee and other guarantees we may require that you offer, such as customer guarantees related to timeliness of service, or to reimburse UWIN for any costs incurred in resolving customer complaints).

**Licensed Marks**

All products that carry the Licensed Marks must be purchased only from suppliers approved or designated by us or from us, if we decide to sell those items to you under the specifications contained in our Operations Manual. This includes all stationery, forms, marketing pieces, signage, uniforms, patches and other private labeled materials. Presently we maintain a catalog of approved suppliers to which all franchisees have online access. If you would like to use another supplier for these items, that supplier must receive our written approval first. You must notify us in writing and submit to us all information, specifications and samples that we request. We will have the right to require that our representatives, at your expense, be permitted to inspect the proposed supplier's facilities and that samples from the proposed supplier be delivered to us or a designated testing facility for evaluation and testing. We will have sole and absolute discretion as to whether to approve any supplier. We may approve a supplier based on certain conditions, including the frequency of delivery, standards of service, including prompt attention to complaints, other criteria, and concentration of purchases. Approval may be conditioned on the supplier providing us with adequate insurance protection, execution of indemnity and confidentiality agreements, and payment of license fees to us. Our approval of a supplier may be revoked if we determine that the products fail to satisfy our specifications. Approval may be temporary or conditional, pending our further evaluation of the supplier. We will evaluate approved suppliers on the basis of the quality of their products or services, ethical business practices, ability to deliver on a national basis, compliance with applicable specifications set forth in our Operations Manual

or based on our experience, and level of communication and service. We will approve or disapprove a suggested supplier within three months after you submit the necessary information to us. No fees need to be paid to us to secure supplier approval, but you must reimburse us for our direct reasonable expenses incurred in inspecting the supplier's facilities. Unless specified by us, you are allowed to purchase products that do not carry the Licensed Marks from suppliers of your choice.

**BuyMax**

While we do not currently negotiate purchase agreements with suppliers, our affiliate, BuyMax, will negotiate national accounts contracts with providers of goods and services in an effort to obtain favorable pricing and rebates or discounts for One Hour, Ben Franklin, and Mister Sparky franchisee members; One Hour, Ben Franklin, Mister Sparky and Company-Owned Outlets (and other businesses in the Direct Energy group of companies); and independent BuyMax members who participate in the program for a fee. BuyMax does not negotiate purchase agreements with suppliers on behalf of individual members. Terms of purchase agreements may vary based on any number of factors and prices may change from time-to-time. We do not provide material benefits (for example, renewal or granting of additional franchises) to you based on your purchases of particular products or services or use of particular suppliers. Upon becoming a Franchisee, you are automatically a member of BuyMax. There is no fee for such membership. Unless you are a Conversion Franchise that qualifies for an Incentive Program, you are not required to purchase products or services through BuyMax. If you buy products or services from any approved BuyMax vendor, your purchases are credited to BuyMax for purposes of its aggregate purchase volume. BuyMax will receive rebates for your purchases from some BuyMax approved vendors. BuyMax will generally distribute 60% or more of those rebates to you and will retain the balance for its services. Based on current agreements with suppliers, the rebates distributed by BuyMax to franchisees that purchase from BuyMax vendors ranges from 0.5% to 20% of a franchisee's qualifying purchases or more based on consolidated purchasing volume. Any of the percentages identified here may change in the future due to new agreements with suppliers, modification or termination of existing agreements with suppliers, or in BuyMax's sole and absolute discretion. In many cases, these rebates are in addition to favorable pricing and point of purchase discounts that BuyMax has negotiated. As of December 2017, BuyMax had contracts with 94 vendors; not all of these vendors participate in the rebate program but do give discount pricing and/or provide special programs to BuyMax members. For the year 2017, One Hour Heating & Air franchisees had rebate-eligible purchases totaling $46,495,888 from BuyMax preferred vendors. One Hour franchisees received rebate payouts totaling $4,806,825, on these purchases (unaudited). The Affiliate-Owned franchises had rebate-eligible purchases totaling $12,021,326 from BuyMax preferred vendors. Affiliate-Owned franchises received rebate payouts totaling $1,129,823. The information used to compute these eligible purchases by franchisees and rebates was provided by BuyMax from its internal accounting records and other documentation and is unaudited. Because purchase reports of vendors often do not correspond to our fiscal year, all annual figures presented are for the twelve-month fiscal year ending June 30, 2017. BuyMax members who are also affinity group members had full access to BuyMax until July 2017 when their full access was limited to the sourcing of BuyMax's private branded products. This resulted in a reduction in the total purchases from BuyMax vendor partners. This reduction in purchases in 2017 impacted BuyMax's aggregate purchases with some vendors and impacted the associated rebates received by BuyMax and disbursed to its members. BuyMax is no longer a vendor partner

to the affinity groups. However, BuyMax continues to sell private branded products to independent contractors including affinity group members and other independent contractors in its sole and absolute discretion.

Conversion Franchises that qualify for and choose to participate in an Incentive Program are required to (i) purchase their entire stock of products, including supplies and equipment, only through vendors who are approved by BuyMax, or any successor program, and BuyMax's Private Brands division if such products are available from an approved vendor or BuyMax, and (ii) only utilize service providers who are approved by BuyMax for all services it requires, if such services are available from an approved vendor or BuyMax. Any products or services not offered by a BuyMax vendor or the BuyMax Private Brands division can be purchased from vendors of your choice as long as the products or services meet our then current standards and specifications. For fiscal year 2017, BuyMax had total revenue of approximately $16,622,623 (unaudited). Approximately $30,425 was from sales for Private Branded products and rebates or other commissions retained by BuyMax related to One Hour Conversion Franchisees that have qualified for an Incentive Program and are required to utilize BuyMax, which represents 0.2% of BuyMax's total revenue. The information used to compute revenues of BuyMax and rebates and other commissions from sales to One Hour Conversion Franchisees that have qualified for an Incentive Program and are required to utilize BuyMax was provided by BuyMax from its internal accounting records and other documentation and has not been audited.

Through our affiliate, BuyMax, we will make One Hour brand air conditioning and heating equipment and/or One Hour indoor air quality products including UV (ultraviolet) products, air cleaning equipment and other filtration products available for you to purchase at your option.

**Success Academy, Training, BOOT, UTA**

Our affiliate, Success Academy, operates a school that provides training classes and skill development to franchisees of Ben Franklin, One Hour, and Mister Sparky. This training covers proprietary tools, systems and procedures to operate the franchisees' businesses and help them reach their full potential. Franchisees and their employees, who attend the school do not pay tuition for training programs. Success Academy also offers training classes and skill development to other businesses within the Direct Energy group of companies. Success Academy previously offered training classes and skill development to contractors in the home services industry who were not franchisees of One Hour, Mister Sparky, or Ben Franklin.

You must use our parent, Clockwork Services', proprietary franchise performance and development system, which we refer to as Branded Operations Orientation Training or BOOT. We will assist you as you go through the entire orientation process in an effort to ensure compliance with the System. Each mandatory training program, must be done at the first available time such programs are offered after the Franchise Agreement is signed. We do not charge a fee for BOOT but you will incur costs for travel, food and lodging.

In addition, Clockwork Services has an agreement with Ultimate Technical Academy, LLC ("**UTA**"), an unaffiliated company that operates a proprietary school that provides technical education and process instruction related to the residential HVAC, plumbing and electrical services industries. Success Academy receives, as a rebate, a percentage of the tuition fees paid by students

it refers to UTA. In addition, Success Academy may receive fees and other payments for certain services it provides UTA. One Hour, Ben Franklin, and Mister Sparky franchisees may attend this school, but they are not required to attend. For fiscal year 2017, Success Academy did not receive any rebates or commissions from UTA for any services provided to One Hour franchisees. For fiscal year 2017, UTA did not provide services to Ben Franklin or Mister Sparky franchisees. This information was provided by Success Academy from its internal accounting records and other documentation and is unaudited.

**Insurance**

At least 14 days before opening the Franchised Business you must provide us with a certificate of insurance coverage issued by an A.M. Best insurer, with a rating of "A" or better, indicating that all required insurance is in full force and effect, and specifying us as an additional insured. The specifications and further details are included in our Operations Manual. The amounts and types of insurance will change in the future, as required by us, your state of locality and you will be required to meet any such obligations as they arise or change. Currently, our requirements include comprehensive general liability insurance, with a per occurrence limit of no less than $1,000,000 and a general aggregate amount of no less than $2,000,000; motor vehicle liability coverage, of no less than $1,000,000 on each owned, non-owned or hired vehicle which you will use; and employer liability and workers' compensation coverage, in per employee, and per incident amounts of no less than $1,000,000. In the event that you fail to maintain such insurance coverage, we may procure such insurance at your sole expense and you will be required to promptly reimburse us.

**Home Comfort Collection**

Our affiliate, Home Warranty of America, Inc., a Delaware corporation ("**HWA**"), located at 1371 Abbott Court, Buffalo Grove, Illinois 60089, offers home warranty products, customer repair and replacement plans to consumers, generally referred to as the Home Comfort Collection® ("**HCC**"), and appliance rentals. Conversion Franchises that qualify for and choose to participate in an Incentive Program are required by the Incentive Program to participate in the sale and service of HCC, subject to some limitations.

None of our officers or directors owns any interest in any approved supplier discussed in this Item.

We do not have any purchasing or distribution cooperatives at this time.

## Item 9
## FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Article 5 of the Franchise Agreement | Items 7 and 11 |
| b. Pre-opening purchases/leases | 7.1.I and 7.4 of the Franchise Agreement | Item 7 |
| c. Site development and other pre-opening requirements | 5.2, 5.3, and 5.4 of the Franchise Agreement | Item 7 |
| d. Initial and ongoing training | 7.1.K, 7.1.U, and 7.2.C of the Franchise Agreement; and 2.7 of the Renewal Addendum | Items 1 and 11 |
| e. Opening | 5.4 of the Franchise Agreement; and 2.11 of the Renewal Addendum | Item 11 |
| f. Fees | 7.1.O, Article 8, 16.4.A of the Franchise Agreement; 2.13, 2.14, and 2.15 of the Renewal Addendum; and 4 and 5 of the Incentive Program Amendment | Items 5 and 6 |
| g. Compliance with standards and policies/Operating Manual | 7.1.B, 7.1.E, 7.1.G,7.1.H, and Article 13 of the Franchise Agreement | Item 1 |
| h. Trademarks and proprietary information | 7.1.L, Article 11, Article13, and 16.4 of the Franchise Agreement | Items 13 and 14 |
| i. Restrictions on products/services offered | 6.2 and 7.1.F of the Franchise Agreement; and 3 of the Incentive Program Amendment | Items 12 and 16 |
| j. Warranty and customer service requirements | 3.3, 7.1.G, 7.1.H, and 16.4.E of the Franchise Agreement; 2.18 and 2.19 of the | Items 1 and 8 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| | Renewal Addendum; and the UWIN Agreement | |
| k. Territorial development/sales quotas | 7.5 of the Franchise Agreement; and 2.12 of the Renewal Addendum | Item 12 |
| l. Ongoing product/service purchases | 6.2 and 7.1.E of the Franchise Agreement; and 3 of the Incentive Program Amendment | Items 8 and 11 |
| m. Maintenance, appearance and remodeling requirements | 5.5 of the Franchise Agreement; and 2.6 and Article 3 of the Renewal Addendum | Items 7 and 11 |
| n. Insurance | 7.3 of the Franchise Agreement | Items 7 and 8 |
| o. Advertising | Article 10 of the Franchise Agreement | Items 7, 11 and 13 |
| p. Indemnification | 10.8 and 17.4 of the Franchise Agreement | Items 6, 11 and 14 |
| q. Owner participation/management/ staffing | 7.1.D, and 7.2 of the Franchise Agreement | Item 15 |
| r. Records and reports | 7.1.R, 7.1.V, 9.1, and 9.3 of the Franchise Agreement | Item 17 |
| s. Inspections and audits | 9.2, 9.3, 9.4, and 9.5 of the Franchise Agreement | Items 6 and 17 |
| t. Transfer | Article 15 of the Franchise Agreement | Item 17 |
| u. Renewal | 4.2 of the Franchise Agreement; and Articles 2 through 3 of the Renewal Addendum | Items 6 and 17 |
| v. Post-termination obligations | 16.4 of the Franchise Agreement; and 1 of the Incentive Program Amendment | Item 17 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| w. Non-competition covenants | Article 14 of the Franchise Agreement | Item 17 |
| x. Dispute resolution | Article 18 of the Franchise Agreement | Item 17 |
| y. Owners/Shareholders and Spouse Guaranty | 2.2 of the Franchise Agreement; and Exhibit B | Item 15 |
| z. z. Other: Return of Financial Incentive (1) | Section 1 of the Incentive Program Amendment | Item 9 |

Note:

(1) If you qualify for and choose to participate in an Incentive Program, we may advance you a conditional financial incentive. Any financial incentive you receive from us will be earned by you over the term of the Franchise Agreement. In the event you are in default of the Franchise Agreement or any of the terms of the Incentive Program, upon our request, you will have to return to us any unearned portion of any financial incentive you received.

**This table lists your principal obligations under the Area Development Agreement. It will help you find more detailed information about your obligations in this agreement and in other items of this Disclosure Document.**

| Obligation | Section in Area Development Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Not Applicable | Not Applicable |
| b. Pre-opening purchases/leases | Not Applicable | Not Applicable |
| c. Site development and other pre-opening requirements | Not Applicable | Not Applicable |
| d. Initial and ongoing training | Not Applicable | Not Applicable |
| e. Opening | Article 2 | Item 11 |
| f. Fees | Article 4 | Item 5 |
| g. Compliance with standards and policies/Operating Manual | Not Applicable | Not Applicable |
| h. Trademarks and proprietary information | Not Applicable | Not Applicable |
| i. Restrictions on products/services offered | Not Applicable | Not Applicable |
| j. Warranty and customer service requirements | Not Applicable | Not Applicable |

| Obligation | Section in Area Development Agreement | Disclosure Document Item |
|---|---|---|
| k. Territorial development/sales quotas | Articles 1 and 2 | Item 12 |
| l. Ongoing product/service purchases | Not Applicable | Not Applicable |
| m. Maintenance, appearance and remodeling requirements | Not Applicable | Not Applicable |
| n. Insurance | Not Applicable | Not Applicable |
| o. Advertising | Not Applicable | Not Applicable |
| p. Indemnification | Section 9.8 | Item 6 |
| q. Owner participation/ management/staffing | Article 6 | Item 15 |
| r. Records and reports | Not Applicable | Not Applicable |
| s. Inspections and audits | Not Applicable | Not Applicable |
| t. Transfer | Article 9 | Item 17 |
| u. Renewal | Not Applicable | Not Applicable |
| v. Post-termination obligations | Sections 7.4 and 8.2 | Item 17 |
| w. Non-competition covenants | Article 8 | Item 17 |
| x. Dispute resolution | Article 10 | Item 17 |
| y. Owners/Shareholders and Spouse Guaranty | Article 6 | Item 15 |

## Item 10
## FINANCING

For qualified buyers that meet our credit standards, we may offer the option to pay Initial Fees with a promissory note, and for qualified buyers that meet our credit standards that are eligible to sign an Area Development Agreement, we may offer the option to pay the Development Fee with a promissory note. This option is available at our sole and absolute discretion. We do not guarantee your note, lease or other obligations.

The Initial Fees, if not paid in a lump sum when the Franchise Agreement is signed, may be financed to the extent that you qualify for such financing and to the extent permitted by law. If financed, the balance can be paid in up to 36 monthly installments at an interest rate that is typically between 12% and 18% per annum or the highest permissible rate allowed by law. Franchisees obtaining financing from us must pay a minimum of $5,000 or 20% of the Initial Fees, whichever is greater, when the Franchise Agreement is signed. The interest rate is based, in part, on prevailing conditions, your individual credit history, your personal financial condition, and other underwriting factors.

The Development Fee, if not paid in a lump sum when the Area Development Agreement is signed, may be financed to the extent that you qualify for such financing and to the extent permitted by law. If financed, the balance can be paid in up to 36 monthly installments at an interest rate that is expected to be between 12% and 18% per annum or the highest permissible rate allowed

by law. Area developers obtaining financing from us must pay a minimum of 20% of the Development Fee when the Development Agreement is signed. The interest rate is based, in part, on prevailing conditions, your individual credit history, your personal financial condition, and other underwriting factors.

A franchisee that finances the Initial Fees, and/or area developers that finance the Development Fee, must sign a promissory note and guaranty in the form of **Exhibit C** ("**Promissory Note and Guaranty**") and, as security, its Owners must sign the Owner's Guaranty. If an Owner's spouse is also an Owner, then the Owner's spouse must also sign the Owner's Guaranty. We currently do not take a security interest in the assets of your Franchised Business or your Owner's assets, but reserve the right to do so.

You must make all payments to us by electronic funds transfer to an account designated by us or by such other method that we may designate from time to time. You will be required to complete an Automated Clearing House (ACH) agreement authorizing automatic withdrawals.

You can prepay the Promissory Note and Guaranty at any time without penalty. If you are in default of the Promissory Note and Guaranty or the Franchise Agreement, we can declare the outstanding principal balance and all unpaid accrued interest immediately due and payable. You will have to pay our reasonable attorney's fees and other legal costs we incur in enforcing payment and collection of the balance due.

The Promissory Note and Guaranty provide that you and your guarantor will waive demand for payment, presentment for payment, protest, notice of non-payment or dishonor, and all other notices and demands.

We may assign the Promissory Note and Guaranty to a third party but we remain obligated to provide services according to the terms of the Franchise Agreement and/or the Development Agreement, as applicable. Any third party to whom the Promissory Note and Guaranty may be assigned does not assume any of our obligations under the Franchise Agreement and/or the Development Agreement, as applicable, and under the Uniform Commercial Code you may not assert against the third party any defenses you may have against us.

We do not receive any consideration for referring you to any prospective lenders.

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

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

### Pre-Opening Assistance

Before you open the Franchised Business:

A. We do not offer any assistance in connection with the site or site selection of your Franchised Business; however, at our discretion, we reserve the right to approve the site of your Franchised Business before you sign the Franchise Agreement. If we do

not exercise our right to approve the site, and we sign a Franchise Agreement with you, your site is deemed approved. (Franchise Agreement, Section 5.3.)

B. We will provide, at no cost to you, the "Training Program" (as defined below), including classroom training to you and your senior management level employees at a location we designate. You must pay for your travel and related expenses. (Franchise Agreement, Section 6.1.B.)

C. We will provide you with access to an electronic copy of the Operations Manual and System Standards at your Initial Training (on-line). (Franchise Agreement, Section 6.1.C.)

D. We will provide you with information on how to acquire, at no cost to you (other than the initial activation fee included in your Initial Fees), a SuccessWare21 (ASP Option) software package or other comparable software packages we designate. You must pay for all ongoing license fees and the costs of any upgrades or replacements as well as a training session in the use of software. The training session lasts four days and costs $1,795 for one to two people. For each training course you pay for, a second person may attend the training course at no additional charge by SuccessWare. (Franchise Agreement, Section 6.1.D.)

**Assistance During Operation**

During the operation of the Franchised Business, we will:

A. Develop and maintain a list of standards for trucks, inventory, equipment, tools, uniforms, and other items to be used by you in your Franchised Business and training. (Franchise Agreement, Section 6.1.E.)

B. Directly or through our affiliates or third parties offer additional training to you and your managers or employees and SuccessWare training, at fees we will establish and which may change from time to time. (Franchise Agreement, Section 6.1.F.)

C. Assist you with operating the Franchised Business as we deem appropriate. (Franchise Agreement, Section 6.1.G.)

D. Provide you with a list of approved suppliers and marketing campaign materials through use of an internet catalog and/or the Operations Manual. (Franchise Agreement, Section 6.1.H.)

E. Make available to you improvements and changes in our services or operating procedures regarding residential HVAC Services. (Franchise Agreement, Section 6.1.I.)

F. Work with our affiliate, BuyMax, (or a successor we may designate) to further develop and maintain a vendor purchase program to negotiate purchase arrangements with suppliers for the benefit of franchisees. (Franchise Agreement, Section 6.1.J.)

G. Make available for you to purchase from approved suppliers ready-to-go forms, letterheads, business cards and other daily-use marketing items and supplies. (Franchise Agreement, Section 6.1.K.)

H. Provide you with materials that will enable you to establish a service club presently called the "ComfortClub"® that allows you to offer your customers discounts, scheduling preferences, breakdown free guarantee and maintenance and service programs. We will continue to offer such a club, or a replacement that we may designate unless prohibited by applicable law. (Franchise Agreement, Section 6.1.L.)

I. At our discretion, provide mystery shopper services. (Franchise Agreement, Section 6.1.M.) Mystery shopper services are random checks on your HVAC Services providers by setting up "mystery shopper" calls, and random calls to your client care representatives. We will provide you with a report on your performance from any such mystery shopper services.

J. While a Marketing Fund is in effect, provide you with marketing and advertising support using Marketing Fund Contributions. (Franchise Agreement, Section 10.4.)

K. Provide an internet website that will be available 24 hours a day, seven days a week to residential customers of home services businesses that is designed to assist you with the promotion and operation of the Franchised Business. (Franchise Agreement, Sections 6.1.N, 10.9.)

L. Provide, at our discretion, an internet-based and/or DVD-based training resource, that can be used by Franchisee on an on-going basis to train on, and review the concepts found in, the Operations Manual. (Franchise Agreement, Section 6.1.O.)

**Site Selection**

You select your business site within your Territory subject to our approval. We reserve the right to approve your site before you sign the Franchise Agreement. We recommend that the site be at least 2,000 square feet and have a dispatching area, reception/talking area, technician/training/break area, restroom and warehouse space. The site must also comply with local zoning and business requirements, and it is your responsibility to ensure that it meets these and any other applicable requirements. There must be parking to accommodate trucks and employees. A suggested layout of the site is covered in the Operations Manual. You have to maintain your site in accordance with our standards and, not more than once every five years, remodel your business site. We estimate the range of remodeling costs to be $25,000 to $75,000. If we exercise our right to approve your site, we will approve or disapprove your site within 48 hours after visual inspection or review of photographs. If we do not exercise our right to approve your site, and we sign a Franchise Agreement with you, your site is deemed approved. You must pay for converting, constructing and opening the site as a Franchised Business in accordance with the layout. Our approval of the proposed business site only indicates that we believe it falls within our criteria for the Franchised Business. (Franchise Agreement, Article 5.)

If we exercise our right to review or inspect your business site, your site will be reviewed for approval before you sign the Franchise Agreement. The factors that we consider in determining

whether to approve a site include the following: whether the shop site is clean, free of debris and clutter; whether the paint is new or like new; and whether we believe the site complies with local zoning regulations. If the site is not approved, we will not sign a Franchise Agreement with you.

**Opening of Business**

Typically you will begin efforts to open your Franchised Business immediately after completing the Initial Training, which must be within three business days after you sign a Franchise Agreement. If you are a Start-Up Franchise, we estimate that you would open your Franchised Business approximately three months after you sign a Franchise Agreement. If you are a Conversion Franchisee, we estimate that you will be operational as a Franchised Business within 30 to 60 days after signing a Franchise Agreement. The factors that affect the timing of your opening may include, among other things, licensing laws, zoning laws, advertising, Yellow Pages or comparable telephone directory advertising, distribution dates, truck procurement and painting, remodeling efforts, hiring issues, the speed at which you operate, your completion of the Training Program, and implementation of your marketing plan. (Franchise Agreement, Article 5.)

If you execute an Area Development Agreement with us, you will be required to open a certain number of Franchised Businesses by specific dates that will be identified in a Development Schedule before you sign the Area Development Agreement. (Area Development Agreement, Article 2.) Your right to develop Franchised Businesses in your Development Area is dependent on meeting several criteria, including meeting a minimum revenue level of at least $500,000 per year for each Franchised Business you develop pursuant to the Area Development Agreement, as discussed in greater detail below.

**Our Marketing Program for Franchised Businesses/Marketing Fund**

We recommend, but do not require, that annually you spend at least 8% to 12% of Net Sales for local marketing. We recommend that a portion of your spending be directed to internet-based advertising, including methods (commonly referred to as "Pay Per Click") to promote internet traffic to your Franchised Business. (Franchise Agreement, Section 10.3.) We do not claim that any marketing, advertising, or promotional materials or programs we provide (or that you prepare and we approve) comply with federal, state, or local laws, rules and regulations, or the conditions of any agreements or orders to which you may be subject. Franchisees are expected and are required to abide by all applicable laws and regulations and under the Franchise Agreement, you agree to indemnify us regarding your use of these materials or programs in your operation of the Franchised Business.

In February 2012, we established a marketing fund for the system, (the "**Marketing Fund**"). The purpose of the Marketing Fund is to support and pay for marketing programs we deem necessary, desirable or appropriate to promote the goodwill and public image of all Franchised Businesses and the Licensed Marks. (Franchise Agreement, Section 10.4.) We operate the Marketing Fund on a fiscal year (the "**Marketing Year**") that commences April 1 of each year and ends March 31 of each year. We may change the Marketing Year at our discretion. Currently, franchisees must pay semi-monthly, starting within 90 days after the effective date of the Franchise Agreement, a Marketing Fund Contribution of 3% of Net Sales per month. The amount of the Marketing Fund Contribution may be modified by us with at least 30 days written notice but shall

not be more than 4% of Net Sales on a semi-monthly basis. The Marketing Fund Contribution payments are to be made by electronic funds transfer for Net Sales received in the previous period. The Franchisee will be required to complete an Automated Clearing House (ACH) agreement authorizing automatic withdrawals. We intend for similarly situated franchisees to contribute to the fund at similar (if not identical) rates, in all cases subject to the 4% limitation described above. Affiliate-Owned Businesses contribute to the Marketing Fund on the same basis as franchisees.

We may also offer a marketing fund pilot program for qualifying franchisees as determined by us in our sole and absolute discretion. Franchisees that qualify and choose to participate in an existing Marketing Fund pilot program will be charged the Marketing Fund Contribution at a lower rate. You will be notified in writing if you qualify for a pilot program and the Marketing Fund Contribution rates described in this note. We reserve the right to cancel the pilot program or change any of the terms of the pilot program, including fees you will pay, at any time as determined by us in our sole and absolute discretion.

We will direct all marketing programs financed by the Marketing Fund and have sole and absolute discretion over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. We may use the Marketing Fund to pay the costs of preparing and producing video, audio and written advertising materials; administering local, regional, multi-regional and national advertising and marketing programs, including purchasing internet or on-line advertising and promotion, direct mail and other media advertising and campaigns; employing advertising, public relations and media buying agencies to assist in these activities; and supporting public relations, market research and other advertising and marketing activities. We may also elect to use the Marketing Fund to furnish you with marketing, advertising and promotional formats and sample materials without additional charge or to provide you with multiple copies of marketing, advertising and promotional materials at a reasonable cost. (Franchise Agreement, Section 10.5.)

The Marketing Fund is not a trust. However, the Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for costs, salaries, travel expenses, administrative costs, overhead and similar expenses we may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including conducting market research, preparing advertising and marketing materials, general production costs, and collecting and accounting for contributions to the Marketing Fund). We may spend in any Marketing Year an amount greater or less than the total contributions of all Franchised Businesses to the Marketing Fund in that year, and we may invest any surplus in a money market fund or comparable investment for future use by the Marketing Fund. We will collect for remittance to the Marketing Fund any advertising or promotional monies or credits offered by any supplier to the Marketing Fund because of your purchases. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising costs of the Marketing Fund before other assets of the Marketing Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Marketing Fund in a form we, in our sole and absolute discretion, may mandate from time to time and will furnish the annual statement for the most recent completed fiscal year to you upon written request. The Marketing Fund will not be audited. (Franchise Agreement, Section 10.5.)

You agree that the Marketing Fund is intended to maximize recognition of the Licensed Marks and patronage of all Franchised Businesses in the United States. Although we will try to use the Marketing Fund to develop marketing materials and programs, and to place advertising that will benefit all Franchised Businesses, we are not obligated to ensure that expenditures by the Marketing Fund in any geographic area will be proportionate or equivalent to the contributions to the Marketing Fund by franchisees operating in any particular geographic area. We are also not obligated to ensure that any Franchised Businesses will benefit directly or in proportion to its contribution to the Marketing Fund. While we intend the Marketing Fund to last indefinitely, we have the right to terminate it and, if terminated, to reinstate it at any time after all the money in the Marketing Fund has been spent. (Franchise Agreement, Section 10.6.)

Except as described above, we assume no liability or obligation to you regarding the maintenance, direction or administration of the Marketing Fund.

The Marketing Fund may be used for all forms of radio, television, Yellow Pages or comparable telephone directory listings, which shall include an internet accessible or "on-line" directory, outdoor, direct response marketing, interactive and internet media. Our marketing and advertising department and regional and/or national advertising agencies will prepare advertising, marketing, and related materials and programs. The intent is to review and contract with advertising agencies on an annual basis. For the calendar year ended December 31, 2017 the Marketing Fund expended 14.5% for production, 78.5% for media, and 7.0% for administrative expenses. The initial expenditures of the Marketing Fund were paid by funds advanced by our parent entities. Due to the timing of collections and expenditures, the Marketing Fund may show a deficit at certain times. Money advanced or loaned to the Marketing Fund shall be reimbursed by the Marketing Fund. The Marketing Fund had a deficit of $1,790,000 on December 31, 2017. If a surplus exists at the conclusion of any Marketing Year, all remaining funds will rollover and be used for subsequent years' marketing or will be used to reimburse funds previously advanced to the Marketing Fund. If a deficit exists at the conclusion of any Marketing Year, the deficit will roll over and be satisfied by the subsequent years' Marketing Fund contributions.

We will not receive payments for providing products or services to the Marketing Fund except as discussed above. The Marketing Fund is not required to spend any money on advertising in the area or territory where you are located, nor any other particular area or territory.

We will not use Marketing Fund Contributions for advertising that is principally a solicitation for the sale of franchises.

You will have the right to create and use your own advertising, marketing and promotional materials. You must conduct your advertising and marketing in an appropriate and dignified manner and shall conform to the System and System Standards. Such requirements apply regardless of the medium in which you choose to advertise. You must submit these materials to us for approval prior to use. You must also place local telephone directory advertising in the Yellow Pages or comparable telephone directory, including an internet-based directory. You may not, however, advertise your Franchised Business using media, such as the Yellow Pages or internet, in an area or territory that is outside your Territory, or that is intended to, or has the effect of, reaching customers outside your Territory, unless such advertising has been coordinated with, or approved by, One Hour. (Franchise Agreement, Section 10.2.) All franchisees that operate in the

same marketing area are required to use a common toll-free telephone number in their advertising media. All advertising, including internet-based advertising, must be designed to route customers to the franchisee serving that customer's location.

You are not required to participate in local or regional advertising cooperatives. However, we have the power, in our sole and absolute discretion, to require cooperatives to be formed, changed, dissolved or merged.

**Franchisee Leadership Team**

We created a Franchisee Leadership Team ("**FLT**"). The FLT previously operated as two separate councils, the Marketing Advisory Council and the Franchise Advisory Council. The FLT is chaired by a Clockwork Services corporate representative and is generally composed of a total of nine members (franchisees) from the three Clockwork Services brands (One Hour, Ben Franklin, and Mister Sparky). Currently, franchisees on the FLT are generally selected based on a vote by then current franchisees of the three Clockwork Services brands, except in the event of a vacancy before the end of a member's term. In the event of a vacancy, we expect the vacancy may be filled by a member selected by the franchisor of the applicable franchise system as determined by the applicable franchisor in its sole and absolute discretion. The FLT's expenses are paid for by us. Under the current FLT bylaws, only franchisees in good standing may serve on the FLT and must adhere to such requirements as we may establish from time to time. We reserve the right to alter the bylaws at any time at our discretion. The address for the FLT is our principal office at 12 Greenway Plaza, Suite 250, Houston, Texas 77046. The FLT does not maintain a separate telephone number, email address, or website. The FLT usually meets four times each year, twice in-person and twice through teleconference. The FLT provides us with input on advertising policies, plans, programs, strategies, and other matters that impact the One Hour, Ben Franklin, and Mister Sparky franchise systems. The FLT serves in an advisory capacity only. We have the power to form, change or dissolve the FLT at any time.

**Franchisor's Website**

We have established a website (the "**One Hour Website**") that is designed to assist you with the promotion and operation of your Franchised Business. You will be required to use the One Hour Website, subject to the conditions included in the Franchise Agreement. If you operate a website under any domain name at the time of signing the Franchise Agreement, you may, in addition to using the One Hour Website, continue to use your pre-existing domain name. However, after signing the Franchise Agreement, such domain name must direct users to a website that displays only the Licensed Marks in a manner approved by us, and none of the marks or trade dress, of any Prior Business. Such changes must occur within a commercially reasonable time after signing the Franchise Agreement, and in no event later than 30 days after that date. To facilitate compliance with the use of the Licensed Marks on your website, you may choose to transfer the domain name to us, and we will link it to a website that appropriately uses the Licensed Marks.

If permitted by applicable law, we may monitor your e-mail, or other electronic communications and may disclose this information if we have a good faith reason to believe it is necessary for the purposes of ensuring your compliance with the Franchise Agreement, and

protecting our rights, property and interests (or those of our affiliates and franchisees and customers or our franchisees). We may change the One Hour Website or delete features in any way, at any time and for any reason. As you use the One Hour Website, you may receive, access or use information, materials, graphics, software, data and content originated by us or other parties. We may terminate or suspend your access to the One Hour Website at any time. Upon termination or suspension, your right to use the One Hour Website will immediately cease and any information you may have stored on the One Hour Website may not be retrieved later.

In addition, you will be required to use a franchising software solution provider we designate in your Franchised Business. We currently require franchisees to use FranConnect at no cost to the franchisees.

You agree to comply with the requirements in the Operations Manual regarding its use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including the One Hour Website, e-mail, internet, social media, and other media. We may require that various types of marketing or advertising use a specific template or format. You agree to give us copies of all proposed applications for registrations of any of the Licensed Marks or any variation thereof for use in and for electronic commerce. You also agree to obtain our prior written approval (which we may withhold in our sole and absolute discretion) before filing any application. You may not use the Licensed Marks, any portion of them, or any words confusingly similar to any e-mail address, domain name, or other identification of yourself or the Franchised Business in any electronic medium, unless agreed to in advance, in writing, by us. You may not register any domain names incorporating all or part of the Licensed Marks without our prior written consent. If you register or own such a domain name, with or without our consent, you must immediately transfer ownership of the domain name to us. Only internet or website addresses and domain names approved by Franchisor shall be used by you to identify the Franchised Business in electronic commerce. Any domain name or e-mail address registered to you, or any related party incorporating any Licensed Mark, in whole or in part, shall be automatically owned by Franchisor and Franchisor reserves the right to require you to assign to Franchisor ownership (to the extent we do not already own them) of e-mail addresses, domain names, account names, handles, user names or other identification used to identify the Franchised Business in electronic or computer communications or social media accounts or platforms at any time. You must discontinue any advertising or promotion using electronic commerce if we reasonably consider that such use of electronic commerce does not conform to the requirements in the Operations Manual.

**Computer Systems**

You must have a computer system that is capable of handling the SuccessWare21 (ASP Option) software program or other software package we may designate and have high speed internet access and e-mail capability. Current hardware and Operating System requirements are maintained at:

http://files.constantcontact.com/137e157b001/c8f6d052-5a1a-4e78-95d1-bb5b397cad0d.pdf?ver=1518217091000

In almost all cases users will access SuccessWare21 using the (ASP) model where the server is maintained and backed up by a third party, presently Advance2000, LLC ("Advance2000") or

another similar company we may designate to retrieve SuccessWare21 (ASP Option) data from your server. In the rare event that high speed connectivity (DSL, T1, or Cable Modem) is not available for you to run on the ASP model, you may be allowed, in our discretion, to operate a local server. You will be required to provide access to your server/data. This connectivity will be used to retrieve your data on a nightly basis. It is required that any dial-up connection be protected with a firewall system that we may designate. Virus protection installed on the server is mandatory and content management software programs are suggested as well.

You may buy your computer from any source. You may buy the firewall protection system, and the virus protection and the content management software programs from Advance2000 or any other company that sells them. Depending on the number of computer users in your company, we anticipate the cost to purchase or lease your computer system and software (including your computer and the firewall protection system one-time charge) will range from approximately $4,060 to $6,610, if you do not already have such computer system and software.

We have the right to independently access the SuccessWare21 (ASP Option) software program used by you (or other software program specified by us) ("**Software Program**"), and any and all data, including financial reports, vendor and supplier pricing data, and Customer Information (as defined below), in the Software Program, whether in your computer systems or elsewhere (collectively "**Business Data**"), to use and share information on the entire franchise system and its customers. In the absence of such software access, we have the right to require you to deliver such Business Data to us. By "**Customer Information**" we mean Personal Information (as defined below), sales and payment history, and all other information about any person or entity you have serviced, or that you have solicited to purchase any service, during the term of the Franchise Agreement, including data regarding prior customers, and other information as may be identified in the Operations Manual. By "**Personal Information**" we mean any information that, by itself or in conjunction with other information, may be used to specifically identify or contact individuals, such as name, physical address, telephone number, and e-mail address, billing and payment history, and customer service requests and other similar information as may be identified in the Operations Manual. You acknowledge that we may access and use (and authorize others to access and use) the Business Data to, among other uses; (i) monitor progress of franchisees including compliance with Minimum Sales Performance Standards; (ii) prepare a financial performance representation for our Disclosure Document, (iii) provide services to former customers serviced by you (including customers serviced by your prior business) after the expiration or termination of the Franchise Agreement; (iv) share vendor and supplier pricing data with our affiliates; and (v) use Customer Information as described below. You will be required to grant us and any other affiliate, service provider, or contracted party that we may authorize access to the Business Data, to be used by us for those purposes and other purposes described in the Franchise Agreement. We will have the right to independently access and use customer Personal Information maintained in the Software Program for our business purposes. We may share Customer Information, including Personal Information of customers you service, with our parents, affiliates, service providers and with contracted third parties. Customer Information may be used by such parties for our business purposes, for the performance of services for us or our parents or affiliates, as well as for marketing and cross-selling products and services of any of these parties. You will be required to maintain a privacy policy that will permit the sharing of Customer Information, and you will need to take all action necessary to allow us to independently access, use, and share Business Data. You will be required to follow any additional requirements in the

Operations Manual, including requirements related to insurance, privacy policies and disclosures, and customer consent (opt-out). You will need to comply with applicable law in connection with your collection, storage, use, and sharing of Customer Information and our use of such Customer Information. We will not give you input as to whether your privacy policies and data storage and sharing practices comply with federal, state or local laws, rules, or regulations, or the terms of any agreements or orders to which you may be subject. You will be solely responsible for your privacy policies and data storage and sharing practices and we assume no liability or obligation to you with respect to such policies and practices.

We may change the computer system and software requirements of the Franchised Business at any time in our discretion, but we are not required to provide any maintenance, repairs, upgrades or updates. You will have an obligation, at your sole expense, to upgrade the software and your computer periodically. There are no contractual limitations on the frequency and cost of the obligation to upgrade your computer, except you will need to have a computer adequate to run your software. We estimate that the cost of annual maintenance and updating of your system (including virus protection and content management software) will range from approximately $290 to $1,000 annually.

At this time, we are working with our affiliates and third parties to develop and test new software package and system that would replace SuccessWare21 (ASP Option). Once we have completed the development and testing of the software package and system and designate it as the required software in place of SuccessWare21 (ASP Option), we anticipate all franchisees will have to purchase the new software from us or an affiliate and begin using the new software package instead of SuccessWare21 (ASP Option) as their exclusive business management software. We currently anticipate the conversion to the new software will occur during the second quarter of 2019, or such other date we may determine in our sole and absolute discretion. We believe this replacement software package will have sales related functionality, permit the sharing of data between you and us, and require your participation in data sharing. Franchisees will have to switch to the new software at their own expense and must do so within 30 days of notice from us. Currently, we do not have information as to the cost to convert to and operate the new software. The new software will also be available for use by other companies within the Direct Energy group of companies.

If you do not pay amounts owed to keep the SuccessWare21 (ASP Option) software program or (other software package we specify) operational, we have the right to pay the amounts on your behalf and you will be required to promptly reimburse us for such payments.

**Operations Manual**

We provide prospective franchisees the ability to view our Operations Manual after signing a confidentiality agreement and before buying a franchise. The Operations Manual is available to franchisees on our website (currently, www.franconnect.com/clockwork). The Operations Manual has 936 pages. All of your Owners, officers, directors, members, partners, managers and employees who see the Operations Manual or our other Confidential Information must sign the All Hands Confidentiality Agreement in the form attached as **Exhibit D** ("**All Hands Confidentiality Agreement**").

## Training Program

You and your senior management level employees must participate in our two-phase training program ("**Training Program**"), which will be held at a location we designate in Houston, Texas or other reasonably accessible locations in the United States, or online.

The Training Program is provided at no cost to you, but you will have to pay for travel, accommodations, meals and salaries for yourself and any senior management level employees who attend.

The Training Program consists of two phases: phase one which is conducted online (currently called "**Initial Training**") and phase two which is a proprietary franchise performance and development training program conducted in a classroom setting (currently called Branded Operations Orientation Training or "**BOOT**"). There is no fixed schedule. Initial Training must be completed within three business days of signing your Franchise Agreement.

You and any senior management level employees must attend the first available BOOT, sponsored by our parent company, Clockwork Services. You must complete the Training Program to our reasonable satisfaction.

**TRAINING PROGRAM**
**OUTLINE OF INITIAL TRAINING**

| Subject | Hours of Training | Hours of On the Job Training | Location and Materials |
|---|---|---|---|
| Overview of our Learning Management System called Success Academy Online (SAO)-including how to self-register in the system, how to locate classes, webinars and online courses, how to run reports on completions, how to register team members for classes, how to bulk enroll in classes, how to locate and use Dashboard feature, as well as information and a catalog of Success Academy offerings. | 1.0 | 0 | Instructor Led On-Line Webinar;<br><br>Must be completed within three business days of signing your Franchise Agreement; materials include the Success Academy catalog transmitted electronically. |

## OUTLINE OF BRANDED OPERATIONS ORIENTATION TRAINING

| Subject | Hours of Training | Hours of On the Job Training | Location and Materials |
|---|---|---|---|
| The Franchise Experience; Orientation; Safety; Brand Integrity/Compliance; Price Right; Hire Right; Managing Personnel; Finance; The DMR; Buy Right; SuccessWare21 (ASP Option); Marketing; Media Relations; Pre-Service Steps; Net Promoter Score; Guarantees; UWIN; Home Comfort Collection; Train for Success; Servicing the Client; Call Center/Phone Power; Dispatching/Asset Management. | 28.0 | 0 | Instructor led; Training in Houston, Texas; materials include the Operations Manual, printed materials and printed workbooks. |

We have a team of qualified coaches that provide training, for specific areas of interest such as: operations, marketing, call taking, dispatching, budgeting, finance, sales, pricing and other areas. In addition, we have field franchise business consultants that may assist you with the ongoing operation of the Franchised Business as we deem appropriate. The coaches and franchise business consultants have an average of over 17 years of experience.

Our instructors will maintain an ongoing record of training activities to us. You must complete each segment of our training program to our reasonable satisfaction. Each Owner and appropriate senior management level employees must be in attendance for all days of the Franchise Orientation Training. Satisfactory completion of each training segment includes implementation of the principles in each training segment presented into the Franchised Business.

Additional training or refresher courses are not required, except in the event of renewal or transfer of the franchise.

Other learning opportunities based on job role are available but not required by the Franchise Agreement. Voluntary learning opportunities include: (i) instructor led courses available through Success Academy and other third party vendors; (ii) webinars; and (iii) computer-based courses through Success Academy. No tuition is charged for these courses (except for certain third party vendor courses as discussed below); however, you are responsible for other expenses incurred. Such courses may be offered from Success Academy or SuccessWare. These courses will be offered from time to time at locations we designate. From time to time, we may make voluntary learning opportunities available through third-party vendors, and if you choose to take advantage of such opportunities, you may have to pay the third party vendor its then current rate for such courses. Any training or learning opportunities provided by us to any of your

employees will be limited to training or guiding the employees regarding the delivery of approved services to customers in a manner that upholds the customer service standards of the franchise system. As an independent business owner and operator, you are, and will remain, the sole employer or your employees during all training and learning opportunities, and you are solely responsible for the employment decisions and actions related to your employees. You must ensure that your employees receive adequate training.

**Franchise System Meetings**

We typically offer an annual convention for all franchisees and various regional meetings. You must attend the annual convention or at least one regional meeting each calendar year, if they are offered. Each meeting is a two or three day meeting, and typically some continuing training will occur, as well as updates on various matters relevant to the franchise system and your Franchise Business. You may send a representative to represent your company. You must pay for all the expenses you and/or your representative incur in attending these meetings. (Franchise Agreement, Section 7.1.U.) The number of franchise system meetings may increase or decrease in the future at our discretion, but you will not be required to attend, in any one year, more than one multi-day meeting that would require travel and lodging.

## Item 12
## TERRITORY

You will have a protected territory ("**Territory**") during the term of your Franchise Agreement provided you are in full compliance with the terms of the Franchise Agreement, including certain minimum sales performance standards ("**Minimum Sales Performance Standards**") and your obligation to primarily service customers in your Territory, and the terms of any other franchise agreement between us. The following describes how the Territory will be determined and the rights that you and we have under the Franchise Agreement. "**Protected**" means that we will neither operate, nor award to another person a franchise to operate, another One Hour residential HVAC business, in your Territory, nor will we service, or authorize others to service, customers in your Territory as a franchisee of One Hour using the Licensed Marks (other than as described in this Item).

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.

The Territory will be based on total population blocks of approximately 100,000. We typically use postal zip codes to define a franchise territory at the time the territory is awarded. You will be able to pick the zip codes, as long as they are adjacent to each other, subject to our approval. If your Territory is defined according to zip codes, subsequent changes to such zip codes by the U.S. Post Office will not alter the Territory. If the U.S. Post Office realigns the zip codes in your Territory, you may request, and at our discretion we may approve, an expansion of your original Territory to include the newly created zip codes under an Additional Territory Amendment to the Franchise Agreement. The Yellow Pages or another comparable telephone directory must service the proposed area and must include an internet and/or on-line listing. To delineate and approve a Territory, we determine population density by utilizing an electronic database called

MapPoint but reserve the right to use such software or other database to determine population as we deem fit in our sole and absolute discretion. MapPoint is a registered trademark of Microsoft® Corporation. This database shows population information by zip code. MapPoint is provided to us, for a cost and under license, by Microsoft Corporation. In the spring of 2018 we intend to start using another database instead of MapPoint called GbBIS, licensed to us for a cost by Intelligent Direct, Inc. If we use a database other than MapPoint to determine population density, we will still determine population blocks as we have described in this Item using the new database.

Your territorial protection is dependent upon your maintaining compliance with your Franchise Agreement, including meeting and maintaining the Minimum Sales Performance Standards. For each franchise you own, if you do not grow it to a revenue level of at least $5,000 per 1,000 of population, i.e., $500,000 per 100,000 of population, per annum, within three years after the date of the Franchise Agreement for this franchise and maintain that sales level from then on, or if you are otherwise not in compliance with the Franchise Agreement we can make your franchise Territory non-Protected by sending written notice to you. However, we will not automatically terminate your Franchise Agreement if you do not attain or maintain the Minimum Sales Performance Standards.

You must primarily service customers located within your Territory. You may service customers outside your Territory if such customers are located in areas geographically contiguous to your Territory, and no other franchisee of ours has been awarded that territory (an "**Open Territory**"). In certain limited circumstances, you may service customers ("**Prior Customers**") located in the territory of another franchisee.

We define two types of Prior Customers, "**Prior Business Customer**" and "**Former Open Territory Customers.**" "**Prior Business Customers**" are customers who, on the date you enter into your Franchise Agreement were located in the territory of another franchisee's Franchised Business and (i) paid for services of your Franchised Business or a Prior Business during the 24 months prior to the date you enter into your Franchise Agreement; and (ii) appear by name and address, on a written list received by us within 90 days of the date you enter into your Franchise Agreement. If both conditions are met, and you are a new franchisee, you may continue to service the Prior Business Customers for up to 24 months after you sign your Franchise Agreement provided that the other franchisee's Franchise Agreement with us allows such action. After the 24-month period, you must turn the Prior Business Customers over to the franchisee in whose territory the Prior Business Customers are located. If you sign a Franchise Agreement to renew an existing franchise, you will be restricted from servicing Prior Business Customers in the territory of another franchisee.

"**Former Open Territory Customers**" are customers who, on the date you enter into your Franchise Agreement were located in the Open Territory and (i) paid for services of your Franchised Business during all or any part of the 24 months prior to the previously Open Territory being awarded to a franchisee; and (ii) appear by name and address, on a written list received by us from you within 30 days of the date that the previously Open Territory has been awarded to another franchisee. If both conditions are satisfied you may continue to service the Former Open Territory Customers for up to 24 months after the date that the previously Open Territory has been awarded to another franchisee, but we are not prohibited during the 24-month period from directing service phone calls, electronic communications, or other communications from Former Open

Territory Customers to the franchisee who has been awarded the previously Open Territory for service. At the conclusion of the 24-month period, you must turn Former Open Territory Customers over to the franchisee who has been awarded that territory. You agree to work with the other franchisee that has been awarded the previously Open Territory to amicably resolve any customer-related service issues arising during the 24-month period.

You must refer service calls you cannot service yourself to another franchisee that can, if one is available. Other than as provided here, you are restricted from soliciting or accepting orders from customers outside of your Territory including by use of alternate channels of distribution, such as the Internet, telemarketing and other direct marketing.

Other One Hour franchisees using the Licensed Marks may continue to service Existing Customers located in the Territory if such franchises have continuing rights to service those customers under their franchise agreements.

We may, occasionally, franchise other residential HVAC Services businesses to use the System and the Licensed Marks in territories that are deemed non-Protected. As such, we may establish Company-Owned Outlets or permit our affiliates or other franchisees to operate a Franchised Business in those areas. If your Territory becomes non-Protected, if your Territory includes Prior Customers or Affiliate-Owned Businesses or for other reasons described in this Item, you may face competition from other franchisees, from outlets that we or one of our affiliates own, or from other channels of distribution or competitive brands that we control.

You must operate your Franchised Business at an approved location within your Territory specified in your Franchise Agreement (your "**Approved Location**"). If you have other Franchise Agreements with us for contiguous territories, you may operate your Franchised Business from an Approved Location within a contiguous territory with our prior written permission, which will not be unreasonably withheld. When you open your Approved Location within the Territory, you may continue to direct all order processing and head office functions (including maintaining books, records and accounts) through one central location of your choosing within one of your Territories if all other operations of your Franchised Business are conducted from your Approved Location. You may relocate your Approved Location with our prior written consent, which will not be unreasonably withheld.

If you sign a Franchise Agreement with us, you will not receive an option, right of first refusal or similar rights to acquire additional franchises within your Territory or contiguous territories. However, we anticipate that many franchisees may be interested in acquiring franchise rights for contiguous territories. As discussed below, certain qualified applicants may be offered the right to develop multiple Franchised Businesses if they enter into an Area Development Agreement.

We are not limited from using or licensing the System or from engaging in or licensing any business activity, including franchising residential HVAC Services businesses under the Licensed Marks at any location outside your Territory. We also reserve the right to engage in or license any business activity (including the operation or franchising of residential HVAC businesses), under any trade name, trademark or service mark (other than the Licensed Marks) at any location inside or outside your Territory. However, if we, or one of our affiliates, in the future acquires or

otherwise begins to operate, a residential HVAC services business in your Territory under a trade name, trademark, or service mark other than the Licensed Marks, we will initiate discussions to amicably resolve any related issues arising from our operation of the business. If we operate the business in your Territory for longer than 12 months (the "**Resolution Period**") without a mutually agreeable resolution, then you may terminate your Franchise Agreement with us. Notice of termination must be delivered in writing within 90 days after the Resolution Period ends, and must include a commitment to provide a general release, in the form we specify, at the time of termination. The termination will be effective 90 days after delivery of notice to us if no mutually agreeable resolution has been reached and the general release has been delivered. In the event of termination as described in this paragraph, all obligations in the Franchise Agreement that apply upon termination will apply except that you may own or be involved with a business that offers residential HVAC products or services in the zip codes comprising your Territory or where you had customers as a Franchised Business. If we have not received a written notice and general release from you within 90 days of the expiration of the Resolution Period, then we may rebrand and operate the residential HVAC services business under the Licensed Marks or any other trade name, trademark or service mark we deem appropriate and you will have waived any objection to the operation of the business by us or one of our affiliates within the Territory under the Licensed Marks or any other trade name, trademark or service mark. Neither we nor our affiliates or parents will be liable to you for any damages that may result from the exercise of rights reserved to us under the Franchise Agreement.

We and our affiliates are not restricted from establishing other channels of distribution (including the Internet), selling similar services, related goods or other products under a different trademark whether inside or outside the Territory. In these cases, no compensation will be paid for orders from inside your Territory. We also retain the right, in our sole and absolute discretion, to sell the same or similar goods through mail order, catalog sales, telemarketing, internet, television, newspaper, retail outlets and any other advertising media to consumers located anywhere, including within your Territory. In these cases, no compensation will be paid for orders from inside your Territory.

Direct Energy, through its affiliates and various lines of business offers a wide range of energy related services to homes and businesses, including but not limited to HVAC, plumbing, electrical, home improvements, home warranty products and protection plans, and water heater and electrical appliance services for residential customers; and energy audits, HVAC, building automation, photovoltaic power generation, facility maintenance and energy management consulting services for commercial, institutional and industrial customers. Direct Energy, through its affiliates and various lines of business, also offers connected "smart" devices for homes and businesses, including but not limited to thermostats, light bulbs, plugs, motion sensors, cameras, energy monitoring devices, HVAC diagnostic tools and related products, that may wirelessly connect and allow users to remotely control such devices through smartphones, tablets, computers, or other similar devices. These businesses operate as corporate owned and operated businesses under the "Direct Energy" trademark (as well as other names, such as Direct Energy Solar; Airtron; Masters; and Hive). These businesses may, directly or indirectly, compete with your Franchised Business within and outside of your Territory. In addition, subject to our obligations to the Protected territory of a Franchised Business, these businesses may be operated in the future under the Licensed Marks. Direct Energy also offers home warranty products, repair, replacement and/or maintenance plans, generally referred to as Direct Energy Protection Plans or HCC through its

affiliate, HWA. These plans provide customers with benefits that may compete with Franchisor's ComfortClub offerings. HWA does not directly service the claims arising under the HCC however, and franchisees may, and it is our intention that they do, have the opportunity to provide HVAC Services to HCC customers if such HVAC plans are sold in the Territory; provided that Conversion Franchises that qualify for an Incentive Program and are required by the Incentive Program to honor and offer HCC are required to provide HVAC Services to HCC customers if such HVAC plans are sold in their Territory. We also intend that franchisees have the opportunity to sell HCC in coordination with Direct Energy and One Hour. Such opportunities are subject to various regulatory requirements and approvals, and, as such, may not be available to all franchisees, or if available, may not be available to all franchisees on the same terms or in all locations.

Other than as described herein, neither we nor any of our affiliates have established any procedures for the System to resolve conflicts that may develop among Direct Energy and its businesses and you and us concerning territory, customers and Franchisor's ongoing franchise support.

**Area Development Agreement**

If we enter into an Area Development Agreement with you, we will grant you a Development Area and the Development Area will be based on various market and economic factors such as market demographics, the penetration of One Hour Franchised Businesses and similar businesses in the market, the availability of appropriate sites and growth trends in the market as determined by us in our sole and absolute discretion. The Development Area will be subdivided into territories described in the Development Schedule, and each territory will be based on a total population block of approximately 100,000. The Development Area may be all or a portion of a city, a single or multi-county area or some other area and will be described in the Area Development Agreement or an attachment.

The Development Area will not be exclusive. Except as provided below, we will neither operate, nor award to another person a franchise to operate, an HVAC Services business that uses the Licensed Marks from a territory located within your Development Area during the term of the Area Development Agreement. However, our franchisees and licensees, us, and our affiliates may service residential HVAC customers located within any undeveloped portion of the Development Area using the Licensed Marks or any other trademark without compensation to you. Other One Hour franchisees using the Licensed Marks may continue to service customers located in the Territory of a Franchised Business that has been opened pursuant to the Development Schedule if such franchisees have continuing rights to service those customers under their franchise agreements. Further, if we, or one of our affiliates, in the future acquires or otherwise begins to operate, a residential HVAC services business in an undeveloped territory in the Development Area under a trade name, trademark, or service mark other than the Licensed Marks, we will initiate discussions to amicably resolve any related issues arising from our operation of the business. If we operate the business in your undeveloped territory for longer than 12 months (the "**ADA Resolution Period**") without a mutually agreeable resolution, then you may terminate your obligation under the Area Development Agreement to develop a Franchised Business in that undeveloped territory. Notice of termination must be delivered in writing within 90 days after the ADA Resolution Period ends, and must include a commitment to provide a general release, in the form we specify, at the time of termination. The termination will be effective 90 days after delivery

of notice to us if no mutually agreeable resolution has been reached and the general release has been delivered. In the event of termination as described in this paragraph, all other rights obligations in the Area Development Agreement will continue in full force and effect. If we have not received a written notice and general release from you within 90 days of the expiration of the ADA Resolution Period, then we may rebrand and operate the residential HVAC services business under the Licensed Marks or any other trade name, trademark or service mark we deem appropriate and you will have waived any objection to the operation of the business by us or one of our affiliates within the undeveloped territory under the Licensed Marks or any other trade name, trademark or service mark. Neither we nor our affiliates or parents will be liable to you for any damages that may result from the exercise of rights reserved to us under the Area Development Agreement or Franchise Agreement. If your obligation to develop a Franchised Business pursuant to the Development Schedule falls during the ADA Resolution Period, then the obligation to develop that Franchised Business will be suspended until the parties reach a mutually agreeable resolution, or the obligation is terminated as described above.

You will not receive an exclusive Development Area. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control.

When you execute a Franchise Agreement pursuant to the Development Schedule to develop a Franchised Business in a particular territory within the Development Area, your rights to the territory will be described in the franchise agreement you sign at the time.

You must develop Franchised Businesses in the designated territories of the Development Area under the Area Development Agreement. You and we agree to the Development Schedule, and the sequence of territories to be developed within the Development Area, before signing the Area Development Agreement. You may, in our sole and absolute discretion, be permitted to develop more than one Franchised Business at a time.

We are under no obligation to direct to you communications from customers in territories where you have not executed a Franchise Agreement and we may direct such communications to our other franchisees and licensees.

Except as provided below, if you comply with the Area Development Agreement and any other agreements that you or your affiliates have with us and our affiliates, then we and our affiliates will not establish, or authorize anyone except you to establish an HVAC Services business that uses the Licensed Marks at a location in the Development Area during the term of the Area Development Agreement. We retain all other rights not specifically granted to you. Among other things, this means that we can conduct activities in the Development Area like those described above in relation to the territory under the Franchise Agreement without compensating you. We reserve the right, for us or our affiliate, to acquire another business with a franchisee or licensee in the Development Area, or to enter into an agreement to purchase another HVAC business, provided, however, it shall not use the Licensed Marks except as described above.

If you fail to comply with the Development Schedule, or otherwise default under the Area Development Agreement beyond any applicable cure period, then we may (in addition to other remedies) terminate or modify your territorial rights, reduce the area of the Development Area or

reduce the number of Franchised Businesses that you may establish. We may also, in our sole and absolute discretion, deem you to be in default under the Area Development Agreement if you are in default of any Franchise Agreement or other agreement and have not cured the default within the applicable cure period.

Your right to develop Franchised Businesses in your Development Area is dependent upon your meeting certain criteria. You must meet a minimum revenue level of at least $500,000 per year for each Franchised Business you develop pursuant to the Area Development Agreement (the "Minimum Area Development Standard"). This Minimum Area Development Standard is independent of any minimum sales requirement imposed by the Franchise Agreements. You must comply with the Minimum Area Development Standard in order to be eligible to develop your next Franchised Business pursuant to the Development Schedule, but you must also comply with the minimum sales requirements in the Franchise Agreements to avoid default under the Franchise Agreement and Area Development Agreement. Except in the event of default by you under the Area Development Agreement or any Franchise Agreement you have with us, the configuration of your Development Area will not change except by mutual agreement of you and us. Absent an Area Development Agreement, you will not have any development rights to a specific area or additional areas other than through Franchise Agreements you may execute with us.

You must also not be in default of the Area Development Agreement or any Franchise Agreement and must notify us 45 days in advance of the date you are scheduled to execute a new Franchise Agreement according to the Development Schedule that you wish to do so. You are required to execute a separate then-current Franchise Agreement for each Franchised Business to be developed pursuant to the Area Development Agreement, as well as all then-current ancillary documents and other agreements an instruments. You must also execute Franchisor's then-current form of general release before developing a new Franchised Business. All the documents you are required to complete and execute must be completed, executed, and returned to us within 30 days after they are received by you.

## Item 13
## TRADEMARKS

Under the Franchise Agreement, we award you a license to operate the Franchised Business using the Licensed Marks described below (including ONE HOUR AIR CONDITIONING & HEATING or ONE HOUR HEATING & AIR CONDITIONING). You may also use our other marks to identify your Franchised Business and the services and products related to the System. Some of these Licensed Marks were originally owned by our parent Clockwork Services, which assigned them to Clockwork IP, a wholly-owned subsidiary of Clockwork Services which then licensed them to One Hour Air Conditioning Franchising, L.L.C. under the terms of a Trademark and System License Agreement, dated as of January 1, 2010. The current Amended and Restated Trademark and System License Agreement has a term of ten years and automatically renews for ten year renewal terms, unless terminated by either us or Clockwork IP. Upon the expiration or termination of the Trademark and System License Agreement for any reason, Clockwork IP will

assume all of our rights and obligations regarding the Licensed Marks it owns and/or the System under any agreements with third parties then in effect (including franchise agreements).

In addition to the principal Licensed Marks in the chart below Franchisees may also use other marks, registered or unregistered, that we own or have the right to use through Clockwork IP and that we designate as part of the Licensed Marks. These include "ALWAYS ON TIME OR YOU DON'T PAY A DIME®." In addition, by participating in the customer complaint resolution program of our affiliate, UWIN, you may also use the marks UWIN® and, U•WIN®, and A GUARANTEE OF SERVICES YOU CAN TAKE TO THE BANK!®, UWIN and (SEAL) Design® that are owned by Clockwork IP.

In this Disclosure Document, all of our trademarks, service marks, trade names and logos, including the principal trademarks listed below and marks licensed to us by our affiliates, Clockwork Services, Clockwork, IP, and UWIN from time to time (as described above) are included in the definition of Licensed Marks.

The following principal Licensed Marks are owned by Clockwork IP and are currently registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

| **Mark** | **Registration Number** | **Registration Date** |
|---|---|---|
| ONE HOUR | 3033873 | December 27, 2005<br>Renewed December 27, 2015 |
| ONE HOUR HEATING & AIR CONDITIONING & Design® | 3530593 | November 11, 2008<br>Renewal filed February 2018 |
| ONE HOUR AIR CONDITIONING & HEATING & Design® | 2521070 | December 18, 2001<br>Renewed December 18, 2011 |
| ONE HOUR LOGO® | 2916944 | January 11, 2005<br>Renewed January 11, 2015 |
| COLOR YELLOW (used over truck) | 3518890 | October 21, 2008<br>Renewal filed February 2018 |
| ONE HOUR HEATING & AIR CONDITIONING – Cl 35 | 4030350 | September 27, 2011 |
| ONE HOUR HEATING & AIR CONDITIONING – Cl 37 | 4030339 | September 27, 2011 |
| ONE HOUR AIR CONDITIONING AND HEATING – Cl 35 | 3933469 | March 22, 2011 |
| ONE HOUR AIR CONDITIONING AND HEATING – Cl 37 | 3933458 | March 22, 2011 |

We and our affiliate, Clockwork Services through its subsidiary Clockwork IP, claim common law rights to the Licensed Marks, and other terms and phrases used regularly in our HVAC business. We also claim common law rights to our designs, logos and trade dress items, including color schemes and appearance, as well as copyright where applicable, but there have not been judicial determinations of the existence, validity or extent of our rights. We claim and intend to rely on common law and/or statutory trade secret and unfair competition protection for the

proprietary materials and information you are awarded a license to use under the Franchise Agreement.

You must follow our rules and operating procedures when you use the Licensed Marks. You cannot use a Licensed Mark as part of your corporate or business organization name or with modifying words, designs or symbols. You cannot use any Licensed Mark with the performance or sale of any unauthorized services or products or in any manner without our prior written authorization.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administration of any state, or of any court, nor is there any pending infringement, opposition or cancellation proceedings or material litigation involving the principal Licensed Marks. There are no agreements currently in effect that significantly limit our right to use, or to license the use of, our Licensed Marks in a manner material to the franchise. We have filed all required affidavits.

We intend to take reasonable steps to preserve and protect our ownership of the Licensed Marks and their validity. We are not obligated to protect any rights awarded to you to use the Licensed Marks or to protect you against claims of infringement or unfair competition regarding the Licensed Marks. Nevertheless, it may be in our best interest to do so.

You must notify us immediately when you learn about an infringement of, or challenge to, your use of the Licensed Marks. We will take the action we think is appropriate. You must cooperate fully in prosecuting, defending, or settling any litigation involving the Licensed Marks, including being named as a party in the action at our request. We will undertake the defense of the litigation and will bear the costs of the litigation, except for the costs of any legal counsel separately retained by you.

We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Licensed Marks in your state.

We may modify or discontinue use of a Licensed Mark or require the use of a new or substitute Licensed Mark. If such a change is made, you must modify or discontinue the use of a Licensed Mark or use the new or substitute Licensed Mark as directed by us, at your expense and within the specified time period. You also must not directly or indirectly contest our right to the Licensed Marks, copyrights, domain names, patents, trade secrets or business techniques that are part of our business, or instruct or assist any third party to do so, directly or indirectly.

All use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including your page on our website, must comply with our requirements described in the Operations Manual. We have the right to designate one or more pages on our website to describe your Franchised Business. We provide links among our website and our franchisees' websites. We require that various types of marketing or advertising utilize a specific template or format. You must provide us with copies of all proposed applications for registration of any of the Licensed Marks or any variations for use in electronic commerce, including your internet or website address and domain name. You must obtain our prior written approval to file any such application, which approval we may withhold in our sole and absolute

discretion. You may not, directly or indirectly, register, reserve, or use any domain names, metatags, key words, or social networking names, handles, usernames, or designations that incorporate any of our Licensed Marks or any portions or variations of the same, or terms used in any of the same, without our prior written approval to use, register or reserve the same, which shall be owned by us whether or not you have sought or been granted such permission. The authorization and non-exclusive license granted to you to use the Licensed Marks imparts you no ownership of the Licensed Marks and no rights whatsoever other than those expressly granted pursuant to the terms of the Franchise Agreement.

## Item 14
## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Clockwork Services through its subsidiary Clockwork IP, is the owner of the issued patent for ***Device and Method For Pricing Repair Services***; directed to methods of determining and communicating to customers pricing information corresponding to plumbing, electrical and HVAC services. We refer to this as the StraightForward Pricing® Guide (listed below). There are no other current or pending patents that are material to your franchise.

| Patent No. | Issue Date | Title | Type | Duration |
|---|---|---|---|---|
| 8103541 | January 24, 2012 | StraightForward Pricing Guide | Process | 20 years |

Hiller, LLC v. Success Group International Learning Alliance, LLC, Rebecca Cassel, and Clockwork IP, LLC; Case No. 3:17-cv-00743, United States District Court for the Middle District of Tennessee, Nashville Division. Hiller, LLC ("Hiller") filed a lawsuit against Success Group International Learning Alliance, LLC and Rebecca Cassel claiming copyright infringement, willful copyright infringement, unfair competition under the Tennessee Consumer Protection Act of 1977, common law unfair competition, and conversion claims. Clockwork IP was not initially a party to the lawsuit, so no claims have yet been asserted against Clockwork IP. Clockwork IP filed a motion to intervene in the lawsuit in December 2017, and the motion was granted on February 7, 2018. Clockwork IP is seeking a declaratory judgment that Hiller improperly obtained copyrights in certain material ("Hiller Works") because the Hiller Works include copyrighted materials belonging to Clockwork IP, such as the Straightforward Pricing Guide and other materials wholly owned by Clockwork IP. We do not know where the Hiller Works are in use. We do not know the length of time of the infringement, but estimate that it began within the past two years. There has been no effective determinations, and this lawsuit is ongoing.

We claim copyrights in the Operations Manual, our advertising material, promotional letters and forms, educational and training material, and related proprietary items used in operating the Franchised Business which are material to your franchise. We will maintain common law copyright and/or copyright registrations as published works. We also claim copyright to our SuccessWare software.

Other than the agreements with our affiliates, Clockwork IP and UWIN, and our parent Clockwork Services, there are no agreements currently in effect which significantly limit our right to use, or to license the use of, our Licensed Marks in a manner material to the franchise.

The Operations Manual, and other materials we provide to you, contain our confidential and proprietary information. Your Franchise Agreement will have confidentiality provisions requiring you to keep all of our materials and Systems confidential, including an obligation to have all your Owners, officers, directors, members, partners, managers, and employees, who see the Operations Manual or our other Confidential Information, sign a Confidentiality Agreement in a form that we may require periodically (**Exhibit D** – All Hands Confidentiality Agreement). You may not use our confidential and proprietary information in an unauthorized manner, or in any manner after your Franchise Agreement ends, and must take all reasonable steps to prevent its disclosure to others. You must promptly tell us when you learn about unauthorized use of our confidential and proprietary information. We are not obligated to take any action but will respond to this unauthorized use as we deem appropriate. We are not obligated to defend your use of this information or to indemnify you against any claims brought by third parties.

In addition, we possess certain confidential and proprietary information and trade secrets regarding the operation of the Franchised Business, including the standards, methods, procedures and specifications of the System, including the System Standards and the contents of the Operations Manual (collectively, the "**Confidential Information**").You must maintain the absolute confidentiality of the Confidential Information both during the term and after the termination or expiration of the Franchise Agreement and not disclose any of the Confidential Information for any reason except as permitted by the Franchise Agreement. You can disclose the Confidential Information to your Owners, officers, directors, members, partners, manager and employees only to the extent necessary for the operation of the Franchised Business in accordance with the Franchise Agreement. You further agree not to use any of the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us both during the term of the Franchise Agreement or afterwards. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual.

All of your Owners, officers, directors, members, partners, managers and employees who are provided access to the Operations Manual or our other Confidential Information must sign the All Hands Confidentiality Agreement.

Any addition, modification, adaptation, improvement, refinement, discovery, derivative work, invention or innovation of, or directly or indirectly relating to the System, including our copyrights, any of the Licensed Marks, or any product sold under a trademark owned by Franchisor or an affiliate of Franchisor, or portions thereof (collectively, an "**Improvement**") made by you or your Owners, independent contractors, related business entities, or employees will be our sole and exclusive property, regardless of you, your Owners' or employees' participation or sole participation in its development, and will be deemed assigned to us. Upon our request, you, your Owners, independent contractors, employees and/or related business entities, will, and you will cause such parties to, sign any instruments and documents we request and give us assistance to perfect or protect all intellectual property rights in this Improvement. Neither you nor such parties will be entitled to any compensation for the use or licensing of any Improvement. Both during and upon termination of your contractual relationship with us, you shall not, directly or indirectly, through yourself or third parties, use, attempt to register, or register, anywhere in the world, any mark or copyright that incorporates one or more terms, elements, or characteristics of any Licensed Mark, any of our copyrights, or any mark which could give rise to a likelihood of confusion, in

our sole and absolute discretion, with any Licensed Mark, or any mark owned by ourselves, or our parent, or related or affiliated companies. Any such mark shall be our sole and exclusive property, and will be deemed assigned to us upon its creation.

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

You must provide direct supervision and devote full time and your best efforts to the operation of the Franchised Business on its premises. However, you may appoint a senior management level employee to handle day to day operations. Your senior management level employee must attend all portions of, and pass, our two phase Training Program to our reasonable satisfaction within 90 days of such appointment. There are no limitations regarding whom you can hire as a senior management level employee except that any such on-premises senior management level employee is required to attend and successfully complete Franchisor's training program to the Franchisor's reasonable satisfaction. If you are a business entity, there is no requirement that your on-premises supervisor have an equity interest in your entity.

Some state, county and municipal HVAC regulations may require that the Owner of a HVAC company have applicable licenses.

All of your Owners, officers, directors, members, partners, managers and employees who are provided access to the Operations Manual or our other Confidential Information must sign the All Hands Confidentiality Agreement.

If you are a business entity, all your Owners (whether or not they are involved in the operation of the Franchised Business) must sign a personal guaranty, which is the Owner's Guaranty attached to the Franchise Agreement, making each Owner individually liable for all obligations under the Franchise Agreement. If any of your Owners is also a business entity instead of an individual, we have the right to require that the Owner's Guaranty be executed by individuals and any other business entities that have direct or indirect ownership in such business entity.

If your spouse is an Owner of the business entity, your spouse must sign an Owner's Guaranty making such spouse individually liable for all obligations of the Franchised Business whether or not such spouse is involved in the operation of the business entity. A spouse of an Owner is not required to sign an Owner's Guaranty if the spouse has no ownership interest in the business entity.

If we enter into an Area Development Agreement with you, you must designate one individual as the responsible owner to direct the business affairs and obligations of the Area Developer. If you are a business entity, your Owners (whether or not they are involved in the development of the Development Area) must sign a personal guaranty, which is the Owner's Guaranty attached to the Area Development Agreement. If any of your Owners is a business entity instead of an individual, we have the right to require that the Owner's Guaranty be executed by individuals and any other business entities that have direct or indirect ownership in such business entity. If your spouse is an Owner of the business entity that executes the Area Development Agreement, your spouse must sign a personal guaranty making such spouse individually liable for

all obligations related to the Area Development Agreement, whether or not such spouse is involved in the development of the Franchised Businesses. A spouse of an Owner is not required to sign an Owner's Guaranty if the spouse has no ownership interest in the business entity that executes the Area Development Agreement.

## Item 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all and only those products and services that we have expressly approved (in the Operations Manual or otherwise in writing) and must refrain from (or discontinue offering) any products or services which we may, in our discretion, disapprove in writing at any time. The Operations Manual, our mandatory and suggested specifications, System Standards, operating procedures and rules that we specify may be modified by us periodically from time to time.

Approved or designated required products may include residential air conditioning and heating services and repairs, including air conditioning services, heating services, air conditioning and heating system replacement, duct cleaning and other indoor air quality services, all of which must be performed in accordance with the specifications in the Operations Manual or the System Standards. You must service predominantly the residential replacement and service markets; in other words, more than 80% of your revenues must come from those markets or market segments.

You will be targeting homeowners as customers. We will have the right to determine if services offered are appropriate for your Franchised Business.

We have the right to add additional products or services that you must offer. There are no limits on our right to do so.

We intend to expand the internet services and products available to your customers. We reserve the right to provide you with the materials needed to establish and maintain the ComfortClub, a service club, for customers of your Franchised Business to the extent service clubs are permitted by applicable law. Similarly, we reserve the right to provide you with the materials needed to offer your customers repair and replacement plans (presently referred to as the Home Comfort Collection,) through affiliates of Direct Energy. The service club and the repair and replacement plans may be expanded to offer maintenance products delivered directly to customers of your Franchised Business via mail, courier service or other methods.

You must primarily service customers located within your Territory; however, you may service Customers who are outside your Territory, if such customers are located in an Open Territory. In certain circumstances, you may also service, for a two year period of time, Prior Customers located in other franchisee's territories. You must refer service calls you cannot service yourself to another franchisee that can, if one is available.

You may own other business interests, but you may not own or be involved with a company that offers services competitive with those offered by us or our franchises. You may own and/or operate other air conditioning and heating businesses that service commercial customers (as opposed to residential customers) as long as they do not use any portion of the Franchised Business, do not interfere with your operation of the Franchised Business, do not operate through

the legal entity of the Franchised Business, and have books and records and financial accounts that are maintained completely separate from the Franchised Business.

## Item 17
## RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| a. Length of the franchise term | 4.1 of the Franchise Agreement | Ten years. |
| b. Renewal or extension of the term | 4.2 of the Franchise Agreement | Ten years. |
| c. Requirements for you to renew or extend | 4.2 of the Franchise Agreement; and Articles 2 through 3 of the Renewal Addendum | You must have substantially complied with your Franchise Agreement, sign the then current form of Franchise Agreement which may contain materially different terms and conditions from the original Franchise Agreement, and complete and sign all other then-current addenda (including our current form of Renewal Addendum), agreements, authorizations, acknowledgements and forms used by the Franchisor in granting and renewing franchises; sign a general release in a form satisfactory to us; give three to six months' notice of renewal prior to expiration; attend and successfully complete our then-current training program customarily required by us in granting franchises, if requested by us, and pay a renewal fee in the amount of $10,000, payable in a lump sum. (See State Addenda.) |
| d. Termination by you | 3.4 of the Franchise Agreement | If we begin operation of a residential HVAC business under another trade name, trademark or service mark in your |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | Territory, due to acquisition or otherwise, and we are unable to reach a mutually acceptable resolution of such situation, then you are entitled to terminate the Franchise Agreement. Such termination requires delivery of a general release. |
| e. Termination by us without "cause" | Not Applicable. | Not Applicable. |
| f. Termination by us with "cause" | 16.1 and 16.2 of the Franchise Agreement | We can terminate only if you are in default or breach of the Franchise Agreement and/or other agreement or instrument with us or our affiliates or a supplier. |
| g. "Cause" defined – curable defaults | 16.2.A, through 16.2.F of the Franchise Agreement | You fail to pay when due any monies owed to us or our affiliate and this default is not cured within ten days after you receive notice; or you are in default in paying any monies owed to any supplier, creditor, lender or lessor under the normal payment terms and conditions of this supplier, creditor, lender or lessor and fail to cure this default and satisfy us that this default has been cured within 30 days after you receive notice; or you fail to satisfactorily service all of your customer accounts to our satisfaction and fail to cure this default within 30 days after you receive notice; or you are in default of any other obligations contained in the Franchise Agreement, including its training obligation or in any other agreement or instrument between you and us or any of our affiliates and fail to cure this default within 30 days after you receive notice; or you are in default under any other franchise agreement or other agreement with us or our affiliates and fail to cure this default within the applicable cure period; or fail |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | to pay two or more times in your fiscal year the full amount of Continuing Franchise Fees that our audit or inspection reveals was underpaid and such default is not cured within ten days after you receive notice. |
| h. "Cause" defined non-curable defaults | 16.1.A through 16.1.K of the Franchise Agreement | You make an assignment for the benefit of creditors, a petition in bankruptcy is filed against you and not dismissed within 60 days of filing, you file a petition in bankruptcy, or become bankrupt, have a custodian, receiver or person appointed, or admit an inability to pay debts as they become due; or have the products of your Franchised Business seized or executed on, or you willfully or fraudulently misrepresented any fact, condition or report in your application. Also, if you have received in any 12-month period three or more notices regarding a curable default, or if you under-report Net Sales two or more times in a fiscal year; or if you are in default under any other agreement with us (or our affiliates), and we (or our affiliates) have the right to terminate such other agreement without an opportunity to cure. If you die or become incapacitated and your Franchise Agreement is not transferred consistent with the requirements of the Franchise Agreement. By your actions or inaction, you adversely affect the goodwill associated with the Licensed Marks or the Franchised Business. You abandon, or by your conduct indicate an intent to abandon, the Franchised Business or you fail to meet the Minimum Sales Performance Standards; or you have received from us during any consecutive 12-month period two or |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | more notices that you have improperly serviced customers in the territory of another franchisee of ours. |
| i. Your obligations on termination/non-renewal | 16.4 of the Franchise Agreement | You must pay or return to us all unpaid amounts and charges that were due or that upon termination or expiration become due under any agreement between you and us or our affiliates; cease using and return all copies of the Operations Manual and our other confidential materials; notify the telephone company, Yellow Pages, and all listing agencies that your right to use all telephone numbers and all classified and other directory listings has ceased and, at our option, assign any telephone numbers that were marketed under the Franchised Business to us (subject to certain exceptions); transfer or assign ownership of, as requested by us, any websites, account or user names used in electronic commerce, social media handles and domain names related to the Franchised Business or another residential HVAC services business operated during the term of the Franchise Agreement to us, or for any retained domain names remove any Licensed Marks; address and resolve all warranty claims and customer disputes at our option, or reimburse us for the cost of doing so; cease to operate the Franchised Business under the System and not represent to the public that your business is operated in association with us or the System, or hold yourself out as our present or former franchisee; cease to use any of the Licensed Marks, colors, or guarantees, or any name, mark, color or guarantee similar to any of the Licensed Marks and/or trade dress |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | of the Franchised Business, or any standards, methods, procedures and specifications associated with the System; discontinue using for any purpose, and, sell to us at our request at fully depreciated book value, any or all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms or other products or materials which display any Licensed Marks or any distinctive feature or device associated with the System; take all actions necessary to repaint or rewrap all vehicles used by the Franchised Business or owned or leased by you which display any of the Licensed Marks or any color or color scheme similar to any used by us within five days of expiration or termination of the Franchise Agreement; take all action as may be necessary to cancel any fictitious or assumed name registration containing any part of the Licensed Marks within 30 days after expiration or termination of the Franchise Agreement; permit us at your expense to enter the location from which the Franchised Business is conducted and inspect for and remove any of our personal property and any of your personal property which displays any of the Licensed Marks or any distinctive feature or device associated with the System; delete any references to us or the Licensed Marks or any our domain names, copyrighted materials, or any other proprietary materials from any internet webpage you use; observe and comply with all confidentiality obligations and all post-expiration or termination non-competition obligations under the Franchise Agreement; discontinue use of |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | SuccessWare; and provide within 30 days after termination or expiration evidence satisfactory to us of your compliance with the termination obligations. |
| j. Assignment of contract by us | 15.1 of the Franchise Agreement | We can sell, assign, transfer or otherwise dispose of the Franchise Agreement, or any or all of our rights and obligations under the Franchise Agreement, to any one in our sole and absolute discretion. |
| k. "Transfer" by you - defined | 15.2 and 15.3 of the Franchise Agreement | "**Transfer**" means to sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights awarded under the Franchise Agreement or any part of the Franchise Agreement, or any rights or privileges incidental to the Franchise Agreement or the Franchised Business, or any interest in it, or your rights or interest in the Franchise Agreement; and if you are a business entity, Transfer of your equity ownership interests (in whole or in part) or control of such business entity, or Transfer of equity ownership interest (in whole or in part) or control of any parent business entity, or establishment of any stock ownership or stock option plan. |
| l. Our approval of transfer by you | 15.2, and 15.3 of the Franchise Agreement | We have a right to approve all Transfers and you may not engage in a Transfer without our prior written approval, but we will not unreasonably withhold our approval. |
| m. Conditions for our approval of transfer | 15.2, and 15.3 of the Franchise Agreement | We will approve a Transfer if the proposed transferee (and its owners, if transferee is a business entity) is acceptable to us based on standards for new franchisees (and franchisee owners) |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | at the time of the Transfer; you are not in default of the Franchise Agreement (including making all payments in full when due), and any other agreement between you and us or any of our affiliates; you have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us and all trade creditors; there are no outstanding disputes between us, or between any parties related to you or to us; you deliver to us a complete release of us and our members, directors, officers, owners, employees, affiliates, successors and assigns in a form satisfactory to us; you pay our then current transfer fee (presently set at $10,000); your proposed transferee agrees in writing that the proposed transferee, its owners (if transferee is an entity) and senior level management employees will complete our training program and to pay the reasonable costs of administering this program; the proposed transferee signs our then current form of Franchise Agreement for a term ending on the expiration date of your Franchise Agreement (and signs and completes all other agreements, instruments, and documents then used by us in granting and transferring franchises including, if transferee is a business entity, guaranties signed by all direct and indirect owners of transferee including business entities and individuals); and the Transfer is completed in accordance with any applicable bulk sales legislation (including Article 6 of the Uniform Commercial Code or state or local tax notices). If you request a Transfer to a corporation or limited liability company, |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | as conditions for our approval, you must be a principal executive officer of such corporation or limited liability company; be the beneficial and registered owner of greater than 50% of the corporation or limited liability company; cause the corporation or limited liability company to sign any agreement or document we direct regarding the assumption of all obligations under the Franchise Agreement (except as set forth below); sign an Owner's Guaranty; pay our reasonable costs related to the transfer; and (if requested by us) cause the corporation or limited liability company to sign our then current form of Franchise Agreement for a period equal to the unexpired portion of the term of your existing Franchise Agreement. (See State Addenda.) |
| n. Our right of first refusal to acquire your business | 15.5 of the Franchise Agreement | We can match any offer for your business for certain periods of time after you propose to Transfer your business. |
| o. Our option to purchase your business | Not Applicable. | Not Applicable. |
| p. Your death or incapacity | 15.4 of the Franchise Agreement | If you die or become incapacitated, the Franchise Agreement must be transferred to a third party acceptable to us within 12 months after the date of death or incapacity, subject to earlier expiration or termination due to your default under the Franchise Agreement. |
| q. Non-competition covenants during the term of the franchise | 14.1 of the Franchise Agreement; 2.17 of the Renewal Addendum | You may not own or be involved with a company or other business that offers residential air conditioning and heating products and services competitive with (or similar to) those offered, franchised or licensed by us, our affiliates or our franchisees or licensees or our affiliates' |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | franchisees, licensees and members ("**Competitive Business**"), other than the continued, temporary operation of a Prior Business that you are converting into a Franchised Business during the six months after the effective date of the Franchise Agreement. You may own and/or operate other air conditioning and heating businesses that service commercial (as opposed to residential) customers, so long as the other businesses do not use any portion of the Franchised Business or the System, and do not interfere with your operation of the Franchised Business. Any such commercial air conditioning and heating business must be a separate and distinct legal entity from the Franchised Business and its books and records and financial accounts must be maintained separately from the Franchised Business' records. You must provide written notice of such business to us and make the books and records of the commercial HVAC Services business available to us upon our reasonable prior notice. On renewal, the in-term non-competition requirements are of immediate effect and temporary operation of a Prior Business is not permitted. |
| r. Non-competition covenants after the franchise is terminated or expires | 14.2 of the Franchise Agreement | For 24 months after termination (other than upon the natural expiration of the term of the Franchise Agreement), or in circumstances where your Franchise Agreement has terminated due to Transfer, you (and your Owners if you are a business entity) may not own or be involved with a Competitive Business in the zip codes comprising your Territory or the zip codes where you had |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| | | customers as a Franchised Business; divert or attempt to divert any customer serviced by your Franchised Business during the term of your Franchise Agreement to a Competitive Business; induce or attempt to induce any customer serviced by the Franchised Business during the term of your Franchise Agreement to change their behavior in a way that results in a reduction of the business the customer may do with the Franchised Business or any successor business using the Licensed Marks; or induce or attempt to induce any customer of ours, our affiliates, or our franchisees to change their behavior in a way that results in a reduction of business the customer may do with us, our affiliates, or our franchisees. In the event of termination due to territorial concerns after an applicable Resolution Period, you may own or be involved with a Competitive Business in the zip codes comprising your Territory or where you had customers as a Franchised Business, but you may not induce any customer of Franchisor, its affiliates, or its franchisees to reduce the business the customer may do with us, our affiliates, or our franchisees. (See State Addenda.) |
| s. Modification of the Franchise Agreement | 19.17 of the Franchise Agreement | Modifications can only be made in a writing signed by both parties, but the Operations Manual can be changed by us from time to time. |
| t. Integration/merger Clause | 19.17 of the Franchise Agreement | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and the Franchise Agreement may not be enforceable. |

| Provision | Section in Franchise Agreement or other agreement | Summary |
|---|---|---|
| u. Dispute resolution by arbitration or mediation | 18.2 of the Franchise Agreement | The parties are required to mediate certain disputes. Any mediation proceeding will be held where we have our principal place of business (currently Houston, Texas). |
| v. Choice of forum | 18.3 and 18.4 of the Franchise Agreement | All litigation initiated by either party must be in a state court or U.S. District Court in the county and state where we have our principal place of business at the time of the conflict (currently Houston, Texas), except that injunctive actions initiated by us to protect intellectual property rights, enforce non-competition provisions, transfer restrictions, termination and expiration obligations, or otherwise to protect against any conduct or threatened conduct for which there is no adequate remedy at law or which we reasonably believe may cause us irreparable harm may be brought in any state or federal court considered appropriate by us. (See State Addenda.) |
| w. Choice of law | 19.10 of the Franchise Agreement | Texas law applies. (See State Addenda.) |

**This table lists certain important provisions of the Area Development Agreement pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreement attached to this Disclosure Document.**

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| a. | Length of the term | Section 3.1 | Until the date the last Franchise Agreement identified on the Development Schedule is signed. |
| b. | Renewal or extension of the term | Not Applicable | Not Applicable |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| c. | Requirements for you to renew or extend | Section 7.2 | No renewal or extension is contemplated under the Area Development Agreement, but we may extend the Development Schedule in our sole and absolute discretion, which may be conditioned on a reduction in the size of the Development Area, modification of the Development Schedule, your execution of a general release, or your execution of a current Area Development Agreement. |
| d. | Termination by you | Not Applicable | Not Applicable |
| e. | Termination by us without "cause" | Not Applicable | Not Applicable. |
| f. | Termination by us with "cause" | Section 7.1 | We can terminate if you are in default or breach of the Area Development Agreement (including the Development Schedule) and/or other agreement or instrument with us or our affiliates. |
| g. | "Cause" defined – curable defaults | Section 7.1 | We can terminate if you are in default or breach of the Area Development Agreement, for reasons other than failing to comply with the Development Schedule, after a 30-day cure period. We may also, in our sole and absolute discretion, deem you in default under the Area Development Agreement if you are in default under a Franchise Agreement or other agreement with us and have not cured that default within any available cure period. |
| h. | "Cause" defined – non-curable defaults | Section 7.1 | You make an assignment for the benefit of creditors, a petition in bankruptcy is filed against you and not dismissed within 60 days of filing, you file a petition in bankruptcy, or become bankrupt, have a custodian, receiver or person appointed, or admit an inability to pay debts as they become due; or have the products of your area development business seized or executed on; or you willfully or fraudulently misrepresented any fact, condition or report in your application. Also, if you have received in |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | any 12-month period three or more notices regarding a curable default; or if you are in default under any other agreement with us (or our affiliates), and we (or our affiliates) have the right to terminate such other agreement without an opportunity to cure. If you die or become incapacitated and your Area Development Agreement is not transferred consistent with the requirements of the Area Development Agreement. By your actions or inaction, you adversely affect the goodwill associated with us, the Licensed Marks or the Franchised Businesses developed pursuant to the Area Development Agreement. You abandon, or by your conduct indicate an intent to abandon, the area development business, you fail to comply with the Development Schedule at any time (including a failure to comply with requirements to exercise development rights, such as a failure to provide us with completed and executed documents and agreements needed to exercise a development right within 30 days), or you fail to meet the Minimum Area Development Standard. |
| i. | Your obligations on termination/non-renewal | Section 7.4 | Pay any balance of the Area Development Fee owed, including the balance of principal and earned interest of any promissory note executed to finance the Development Fee. |
| j. | Assignment of contract by us | Section 9.2 | We can sell, assign, transfer, or otherwise dispose of the Area Development Agreement, or any or all of our rights and obligations under the Area Development Agreement, to anyone in our sole and absolute discretion. |
| k. | "Transfer" by you - defined | Section 9.3 | "**Transfer**" means to sell, divide, encumber, assign, hypothecate, mortgage, transfer through bequest, inheritance, transfer in trust, divorce or |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | operation of law or by any other means, or otherwise dispose of the rights awarded under the Area Development Agreement or any part of the Area Development Agreement, or any rights or privileges incidental to the Area Development Agreement, or any interest in it, or your rights or interest in the Area Development Agreement; and if you are a business entity, transfer of your equity ownership interests (in whole or in part) or control of such business entity, or transfer of equity ownership interest (in whole or in part) or control of any parent business entity, or establishment of any stock ownership or stock option plan. |
| l. | Our approval of transfer by you | Sections 9.3 and 9.4 | We have a right to approve all Transfers and you may not engage in a Transfer without our prior written approval, but we will not unreasonably withhold our approval. |
| m. | Conditions for our approval of transfer | Sections 9.3 and 9.4 | We will approve a Transfer if the proposed transferee (and its owners, if transferee is a business entity) is acceptable to us based on standards for new area developers (and area developer owners) at the time of the Transfer; you are not in default of the Area Development Agreement (including making all payments in full when due), and any other agreement between you and us or any of our affiliates; you have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us and all trade creditors; there are no outstanding disputes between us, or between any parties related to you or to us; you deliver to us a complete release of us and our members, directors, officers, owners, employees, affiliates, successors and assigns in a form satisfactory to us; you pay our then |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | current transfer fee (presently set at $10,000); the proposed transferee signs our then current form of Area Development Agreement for a term ending on the expiration date of your Area Development Agreement (and signs and completes all other agreements, instruments, and documents then used by us in granting and transferring area development rights including, if transferee is a business entity, guaranties signed by all direct and indirect owners of transferee including business entities and individuals). If you request a Transfer to a corporation or limited liability company, as conditions for our approval, you must be a principal executive officer of such corporation or limited liability company; be the beneficial and registered owner of greater than 50% of the corporation or limited liability company; cause the corporation or limited liability company to sign any agreement or document we direct regarding the assumption of all obligations under the Area Development Agreement (except as set forth below); sign an Owner's Guaranty; pay our reasonable costs related to the transfer; and (if requested by us) cause the corporation or limited liability company to sign our then current form of Area Development Agreement for a period equal to the unexpired portion of the term of your existing Area Development Agreement. (See State Addenda.) |
| n. | Our right of first refusal to acquire your business | Not Applicable | Not Applicable |
| o. | Our option to purchase your business | Not Applicable. | Not Applicable. |
| p. | Your death or incapacity | Section 9.5 | If you die or become incapacitated, the Area Development Agreement must be transferred to a third party acceptable to |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | us within 12 months after the date of death or incapacity, subject to earlier expiration or termination due to your default under the Area Development Agreement. |
| q. | Non-competition covenants during the term of the franchise | Section 8.1 | You and your Owners (if you are a business entity) may not own or be involved with a Competitive Business. A "Competitive Business" means any business which offers residential HVAC products and services competitive with or similar to those offered by us, our affiliates, our franchisees, licensees or affiliates' franchisees, licensees, and members, without regard to geographic location, other than as authorized by the Area Development Agreement or any other agreement between us. |
| r. | Non-competition covenants after the Area Development Agreement is terminated or expires | Section 8.2 | For 24-months after transfer, termination, or expiration under the Area Development Agreement, you (and your Owners if you are a business entity) may not directly or indirectly (including on behalf of a spouse, sibling, or child, or on behalf of or through any other person or entity) own or be involved with a Competitive Business in the Development Area or any zip code where any of your Franchised Businesses served customers during the Development Term. |
| s. | Modification of the Area Development Agreement | Section 12.8 | Modifications can only be made in a writing signed by both parties. |
| t. | Integration/merger Clause | Section 12.7 | Only the terms of the Area Development Agreement and other related agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. |
| u. | Dispute resolution by arbitration or mediation | Sections 10.1 and 10.2 | The parties are required to mediate certain disputes. Any mediation |

| Provision | | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | proceeding will be held where we have our principal place of business (currently Houston, Texas). |
| v. | Choice of forum | Section 10.3 | All litigation initiated by either party must be in a state court or U.S. District Court in the county and state where we have our principal place of business at the time of the conflict (currently Houston, Texas), except that injunctive actions initiated by us to protect intellectual property rights, enforce non-competition provisions, transfer restrictions, termination and expiration obligations, or otherwise to protect against any conduct or threatened conduct for which there is no adequate remedy at law or which we reasonably believe may cause us irreparable harm may be brought in any state or federal court considered appropriate by us. (See State Addenda.) |
| w. | Choice of law | Section 12.12 | Texas law applies. (See State Addenda.) |

See the state specific addenda, attached as **Exhibit I**, for additional disclosures.

## Item 18
## PUBLIC FIGURES

We do not use any public figure to promote the sale of our franchise.

## Item 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

In Table 1 below, we are providing you with historical financial performance representations for the period indicated in Table 1 based on a population of franchisees that were

operating under franchise agreements for one or more territories ("Franchised Business Territories") with Net Sales (as defined below) during the entire one year period of January 1, 2017 through December 31, 2017 (the "Population Period"). If a franchisee did not have any Franchised Business Territories with Net Sales for the entire Population Period, we did not include its results in the financial performance representations in Table 1.

In Table 2 below, we are also providing you with historical rebate information of certain franchisees that are BuyMax members and that took advantage of BuyMax services for the period indicated in Table 2 and that also had Franchised Business Territories with Net Sales during the full Population Period. The use of BuyMax services is voluntary and not a requirement of our franchisees other than those that are eligible and choose to participate in an Incentive Program. Franchisees who did not utilize BuyMax services were excluded from the historical rebate information in Table 2.

**Net Sales for Franchised Business Territories**

Although the definition of Net Sales may change slightly from year to year, **"Net Sales**" generally means (i) all sales and revenues (and any other income) from the performance of all services and the sale of all products from or related to the Franchised Business Territory (or through or by means of the business conducted by the franchisee with respect to the Franchised Business Territory) whether or not authorized under the Franchise Agreement and whether or not inside the applicable Franchised Business Territory (including proceeds of any business interruption insurance, revenues received for performing commercial services or sale of products to commercial customers, and any other revenue shown in your records, less (ii) sales taxes, bona fide refunds, rebates or discounts to customers; bona fide and reasonable payments made in the ordinary course of business to unaffiliated subcontractors who perform services unrelated to the franchisee's core business and at the franchisee's customer's premises; and any reasonable and customary job specific permit fees paid to any government entities). Under the Franchise Agreement, you acknowledge that Net Sales includes, but is not limited to, all sales and revenue related to your sale and delivery of any products and services of any kind (whether or not we approve them) that were procured or delivered in any manner using any portion of your Franchised Business, including the Licensed Marks (such as trucks, vehicles, invoices, patches, and uniforms bearing the Licensed Marks), the System, Confidential Information, or any of the employees of your Franchised Business or the telephone number of your Franchised Business.

A franchisee's Net Sales are obtained from individual financial packages submitted to Franchisor by franchisees on a monthly basis. These financial packages include profit and loss statements with sales data for Franchisor to calculate applicable franchisee fees. Franchisee fees are calculated on Net Sales, as defined in the Franchise Agreement for the Franchised Business Territory. Net Sales are captured in electronic work papers and are the basis for this historical financial performance representation. Occasionally, franchisees fail to report. In such circumstances, estimates based on other financial records provided by non-reporting franchisees such as required daily sales reports are employed. None of these estimates have a material impact on the total amounts reported below. Franchisor reasonably relies on this data and believes it to be true and correct. However, Franchisor has not audited this data and cannot therefore provide any further assurances as to its accuracy or completeness.

The rebate information used for Table 2 is obtained from individual information submitted by franchisees that are BuyMax members. Franchisor reasonably relies on this data and believes it to be true and correct. However, Franchisor has not audited this data and cannot therefore provide any further assurances as to its accuracy or completeness.

We highly encourage you to work with a qualified accountant or other qualified business advisor in considering this opportunity, its potential and to develop a business plan to determine if you are suited for this franchise opportunity. We further encourage you to consult with an attorney and other advisors before executing the Franchise Agreement.

**Table 1**
**Franchisee Net Sales by Tiers for Fiscal Year Ended December 31, 2017**

| Number of Franchised Business Territories Owned by Franchisees in This Tier | Number of Franchisees in This Tier | Total Annual Net Sales for the Franchisees in This Tier | Average Annual Net Sales Attained by the Franchisees in This Tier | Median Annual Net Sales Attained by the Franchisees in This Tier | Highest and Lowest Net Sales in the Range of Franchisee Net Sales for This Tier of Franchisees | Number of Franchisees in This Tier That Attained the Average Level of Annual Net Sales or Greater | Percent of Franchisees in this Tier That Attained the Average Level of Annual Net Sales or Greater |
|---|---|---|---|---|---|---|---|
| Tier 6: 6 or more Territories | 12 | $62,245,395 | $5,187,116 | $4,847,798 | $9,830,488/ $528,585 | 5 | 42% |
| Tier 5: 5 Territories | 5 | $21,802,540 | $4,360,508 | $3,133,655 | $11,409,527/ $379,120 | 2 | 40% |
| Tier 4: 4 Territories | 4 | $24,778,172 | $6,194,543 | $4,646,659 | $14,565,512/ $919,342 | 2 | 50% |
| Tier 3: 3 Territories | 7 | $34,132,672 | $4,876,096 | $2,262,312 | $10,713,892/ $1,016,846 | 3 | 43% |
| Tier 2: 2 Territories | 20 | $45,560,847 | $2,278,042 | $1,818,622 | $5,767,042/ $440,765 | 9 | 45% |
| Tier 1: 1 Territory | 52 | $78,789,886 | $1,515,190 | $1,101,400 | $6,126,239/ $145,274 | 24 | 46% |
| All Tiers Combined | 100 | $**267,309,513** | $**2,673,095** | $**1,808,758** | $**14,565,512/** $**145,274** | 33 | **33%** |

**Notes:**

(1) This table reflects all franchisees with one or more Franchised Business Territories that had Net Sales for the full Population Period.

(2) A franchisee's business may consist of multiple Franchised Business Territories. As of December 31, 2017, there were 112 franchisees that operated 333 Franchised Business

Territories. For the Population Period, 12 franchisees were excluded from the population of franchisees used for this table, and 62 Franchised Business Territories were not considered (for the purpose of grouping franchisees by tiers), for the reasons described in Notes 3, 4, 5, 7 and 8 below. This table analyzes the one-year (i.e., 12-month) performance of 100 franchisees and separates the franchisees into tiers based on the 271 Franchised Business Territories the population of franchisees operated. All Net Sales of the population of franchisees for the Population Period were analyzed.

(3) If a new franchisee began operating its one or more Franchised Business Territories during the Population Period, and does not have any Franchised Business Territories with Net Sales for the full Population Period, the franchisee was excluded from this Table 1. For the Population Period, there were 9 franchisees excluded from Table 1 for this reason, and these franchisees operated 57 Franchised Business Territories.

(4) In some cases, a franchisee that operated one or more Franchised Business Territories during the full Population Period may have experienced an increase or decrease in its number of Franchised Business Territories during the Population Period, and such Franchised Business Territories had Net Sales for only part of the Population Period. In these cases, the Net Sales of the effected Franchised Business Territories that were the subject of the increase or decrease, (for the partial Population Period in which they were operated by the franchisee), were included in the Net Sales of the franchisee for purposes of this Table, but the Franchised Business Territories were not counted for the purpose of determining in which tier the franchisee should be grouped. For the Population Period, there were 5 Franchised Business Territories not considered in Table 1 (for the purpose of grouping franchisees by tiers) for this reason.

(5) In some cases, a franchisee may have increased its number of Franchised Business Territories immediately prior to the Population Period, but the added Franchised Business Territory did not have Net Sales for the full Population Period. In such cases, the added Franchised Business Territory was considered for the purpose of determining in which tier the franchisee should be grouped and the Net Sales of the Franchised Business Territory for the Population Period were included in the Net Sales of the franchisee for purposes of this table. There were 0 franchisees in Table 1 that match the scenario described in this note.

(6) Franchisees are allowed to do business in Open Territory (that is, territory that has not been awarded to a franchisee), and the Net Sales of a franchisee's Franchised Business Territory may include sales in Open Territory. Therefore, an increase in the number of Franchised Business Territories operated by a franchisee may not have an impact on Net Sales for that franchisee because the franchisee may already be generating Net Sales from the Open Territory. Similarly, a decrease in the number of Franchised Business Territories operated by a franchisee for reasons such as termination or expiration (which could result in the Franchised Business Territory becoming Open Territory) may not have an impact on Net Sales for that franchisee because the franchisee may continue to do business in the Open Territory through its remaining Franchised Business Territories.

(7) In some cases, franchisees included in this Table are owned by the same franchise owner (a franchise owner is the person that owns the legal entity that is the franchisee) or the same franchise ownership group. In such cases, each franchisee (including its corresponding Net

Sales related to the Franchised Business Territories operated by the franchisee) is treated separately in this Table 1 and is grouped into a tier based on the number of Franchised Business Territories the individual franchisee owns, except in 2 instances. In those 2 instances, the affiliated franchisees that are owned by the same franchise owner or ownership group report all Net Sales through a single franchisee in the group of affiliated franchisees and the affiliated franchisees are treated as one franchisee (and the Franchised Business Territories of the affiliated franchisees are combined) for purposes of this table. For the Population Period, there were 3 franchisees not treated separately for the reason described in this Note.

(8) There were 0 franchisees excluded from this table because they were open during the full Population Period but did not have Net Sales for the full Population Period.

(9) If a franchisee closed or ceased operations in a Franchised Business Territory during the Population Period and, as a result, does not have Net Sales for the full Population Period in such Franchised Business Territory, that Franchised Business Territory was not included in the initial Franchised Business Territory count of 333 (referred to in Note 2 above), and thus automatically not available to be considered in this Table 1. For the Population Period, there were 20 Franchised Business Territories not considered in this Table 1 for this reason, 0 of which were closed after being open fewer than 12 months.

**Table 2**

**BuyMax(1) Rebate Experience by Tiers of BuyMax Members(2)**
**July 2016 Through June 2017**

| Percent Rank (by Received Rebates) of Applicable BuyMax Members | Number in This Group(3) | Total Rebates Attained by This Group | Average Rebates Attained by This Group | Median Rebates for This Group | Number in Group That Attained the Average Rebates or Greater | Percentage in Group that Attained the Average Rebates or Greater |
|---|---|---|---|---|---|---|
| Tier 1: Top 10% | 9 | $2,276,634 | $252,959 | $227,777 | 3 | 33% |
| Tier 2: Top 11-25% | 14 | $1,079,182 | $77,084 | $79,501 | 8 | 57% |
| Tier 3:Top 26-50% | 24 | $879,705 | $36,654 | $34,437 | 8 | 33% |
| Tier 4: 51-75% | 24 | $349,946 | $14,581 | $14,487 | 12 | 50% |
| Tier 5: 76% - 90% | 14 | $68,945 | $4,925 | $4,903 | 7 | 50% |
| Tier 6: Bottom 10% | 9 | $5,129 | $570 | $147 | 3 | 33% |
| 100% | 94 | $4,659,541 | $49,570 | $29,852 | 25 | 27% |

**Notes**:

(1) BuyMax is an affiliated company which negotiates national account contracts with providers of services or goods to obtain favorable pricing and rebates for our franchisees who are BuyMax members (See Item 1). There are 94 BuyMax members in the population of franchisees shown in Table 1. This Table 2 analyzes only the rebates achieved by those 94 BuyMax members during any portion of the period of July 2016 through June 2017. (The use of BuyMax is voluntary and not a requirement of our franchisees except for Conversion

Franchises that are eligible and choose to participate in an Incentive Program. Franchisees who did not utilize BuyMax during the one-year period indicated are excluded from Table 2.)

(2) In some cases, more than one franchisee may have utilized BuyMax through a single BuyMax membership if the franchisees are owned by the same franchise owner or the same franchise ownership group. In all other cases, an individual franchisee that is a BuyMax member and whose business consists of multiple Franchised Business Territories utilized BuyMax using a single BuyMax membership. There are 2 BuyMax memberships represented in this Table that are utilized by more than one franchisee.

(3) If a franchisee that is a BuyMax member closed or ceased operations in a Franchised Business Territory during the Population Period and, as a result, does not have Net Sales for the full Population Period, that Franchised Business Territory was not included in the initial Franchised Business Territory count of 333 (referred to in Note 2 to Table 1 above), and thus automatically not available to be included in this Table 2. For the Population Period, there were 20 Franchised Business Territories not included in the calculations for Table 2 for this reason, of which 0 were closed after being open fewer than 12 months.

The amount of revenues and expenses incurred will vary among our franchisees. In particular, the revenues, expenses and profitability a franchisee experiences will be directly affected by factors which include the geographic location; local and national economic conditions; competition in the market; the quality of management and servicepersons of the business; contractual relationships with lessors and vendors; legal, accounting and other professional service fees; federal, state and local income taxes, gross profits taxes or other taxes; discretionary expenditures; accounting methods used; business conducted in Open Territory (if available); certain benefits and economies of scale which a franchisee may derive as a result of operating multiple Franchised Business Territories; and the fees payable to us by the franchisee. Franchised Business Territories may vary in many ways, including territory size, demographics, competitors, age of homes, weather patterns and other characteristics. Each of these, and many other characteristics can impact the financial performance of a franchisee and its Franchised Business Territories. The Net Sales of an individual Franchised Business Territory may not be significantly affected by the number of other Franchise Business Territories a franchisee operates. Benefits or economies of scale that a franchisee derives, if any, from owning multiple Franchised Business Territories may not be realized by all similarly situated franchisees and may not equate to higher Net Sales for individual Franchised Business Territories of a franchisee.

You should also consider that many of our franchises are Conversion Franchises and have been operating for many years before becoming a franchise.

The information contained in this Item has not been audited nor has it otherwise been prepared by an independent accountant. Where noted, information is presented on a franchisee by franchisee basis (referred to as “franchisees”) using tiers. Some franchisees purchase and operate across multiple Franchised Business Territories. The information provided in Table 1 represents the experience of franchisees across the indicated Franchised Business Territories in which they conducted operations during the stated periods. This item does not include any Affiliate-Owned Businesses.

Written substantiation for these financial performance representations will be made available to a prospective franchisee upon reasonable request.

We believe the information provided is an accurate depiction of the experience of the franchisees and the BuyMax members included in the respective samples.

Some franchisees have sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.

Other than the preceding financial performance representations, 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, 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 Rick Yohn, Senior Vice President, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 866-370-8302, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20
## OUTLETS AND FRANCHISEE INFORMATION

### Table 1

### System-wide Outlet Summary
### For Years 2015 to 2017[1]

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| **Franchised[2]** | 2015 | 263 | 269 | +6 |
| | 2016 | 269 | 303 | +34 |
| | 2017 | 303 | 333 | +30 |
| **Company-Owned[3]** | 2015 | 38 | 38 | 0 |
| | 2016 | 38 | 37 | -1 |
| | 2017 | 37 | 33 | -4 |
| **Total Outlets** | **2015** | **301** | **307** | **+6** |
| | **2016** | **307** | **340** | **+33** |
| | **2017** | **340** | **366** | **+26** |

**Notes:**

(1) All numbers are as of December 31 of each year. Our fiscal year end is December 31.

(2) Many of our franchisees may own multiple franchises in contiguous territories. Each franchise operating at year-end is listed separately.

(3) "Company-Owned Outlets" include Affiliate-Owned Businesses or Company-Owned Outlets.

**Table 2**

**Transfers of Outlets [1] from Franchisee to New Owners (other than the Franchisor)**
**For Years 2015 to 2017[2]**

| State[3] | Year | Number of Transfers |
|---|---|---|
| Arizona | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 10 |
| California | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 0 |
| Delaware | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 1 |
| Florida | 2015 | 0 |
| | 2016 | 1 |
| | 2017 | 0 |
| Maryland | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 1 |
| Michigan | 2015 | 0 |
| | 2016 | 1 |
| | 2017 | 0 |
| Missouri | 2015 | 0 |
| | 2016 | 0 |
| | 2017 | 1 |
| Texas | 2015 | 1 |
| | 2016 | 0 |
| | 2017 | 0 |
| **TOTALS** | **2015** | **1** |
| | **2016** | **2** |
| | **2017** | **13** |

**Notes:**

(1) Multiple franchises operated from the same location are counted as separate outlets in this Table.

(2) All numbers are as of December 31 of each year.

(3) States not listed had no transfers during, 2015, 2016, or 2017.

## Table 3

## Status of Franchised Outlets

## For Years 2015 to 2017[1] [2]

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Termi-nations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2015 | 2 | 0 | 1 | 1 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 10 | 0 | 0 | 0 | 0 | 10 |
| Arizona | 2015 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| | 2016 | 15 | 0 | 0 | 0 | 0 | 0 | 15 |
| | 2017 | 15 | 2 | 0 | 0 | 0 | 0 | 17 |
| Arkansas | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| California | 2015 | 15 | 1 | 3 | 1 | 0 | 0 | 12 |
| | 2016 | 12 | 0 | 1 | 1 | 0 | 0 | 10 |
| | 2017 | 10 | 0 | 2 | 0 | 0 | 0 | 8 |
| Colorado | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Connecticut | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Delaware | 2015 | 1 | 4 | 0 | 0 | 0 | 0 | 5 |
| | 2016 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2017 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Florida | 2015 | 35 | 0 | 0 | 0 | 0 | 0 | 35 |
| | 2016 | 35 | 0 | 1 | 0 | 0 | 0 | 34 |
| | 2017 | 34 | 1 | 0 | 0 | 0 | 0 | 35 |
| Georgia | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 16 | 1 | 0 | 0 | 0 | 17 |
| | 2017 | 17 | 0 | 0 | 0 | 0 | 0 | 17 |
| Idaho | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Illinois | 2015 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| | 2016 | 9 | 9 | 0 | 0 | 0 | 0 | 18 |
| | 2017 | 18 | 0 | 0 | 2 | 0 | 0 | 16 |
| Indiana | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Termi-nations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|---|
| Iowa | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Kansas | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 1 | 1 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 1 | 0 | 1 | 0 | 0 | 3 |
| Kentucky | 2015 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 7 | 0 | 0 | 0 | 0 | 10 |
| Louisiana | 2015 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2016 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2017 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Maryland | 2015 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2016 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2017 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| Massa-chusetts | 2015 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 8 | 0 | 0 | 0 | 0 | 10 |
| | 2017 | 10 | 2 | 2 | 0 | 0 | 0 | 10 |
| Michigan | 2015 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2016 | 6 | 0 | 1 | 0 | 0 | 0 | 5 |
| | 2017 | 5 | 0 | 1 | 0 | 0 | 0 | 4 |
| Minnesota | 2015 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2016 | 13 | 0 | 3 | 0 | 0 | 0 | 10 |
| | 2017 | 10 | 2 | 0 | 0 | 0 | 0 | 12 |
| Mississippi | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 1 | 0 | 1 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Missouri | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 2 | 1 | 0 | 0 | 0 | 4 |
| Nebraska | 2015 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2016 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2017 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Nevada | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New Hampshire | 2015 | 0 | 6 | 0 | 0 | 0 | 0 | 6 |
| | 2016 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2017 | 6 | 0 | 6 | 0 | 0 | 0 | 0 |

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Termi-nations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|---|
| New Jersey | 2015 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 1 | 1 | 0 | 0 | 0 | 4 |
| | 2017 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| New Mexico | 2015 | 2 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2015 | 24 | 0 | 1 | 0 | 0 | 0 | 23 |
| | 2016 | 23 | 0 | 2 | 0 | 0 | 0 | 21 |
| | 2017 | 21 | 2 | 0 | 0 | 0 | 0 | 23 |
| North | 2015 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Carolina | 2016 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2017 | 7 | 4 | 0 | 0 | 0 | 0 | 11 |
| North Dakota | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Ohio | 2015 | 20 | 0 | 1 | 0 | 0 | 0 | 19 |
| | 2016 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| | 2017 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| Penn-sylvania | 2015 | 16 | 6 | 0 | 0 | 0 | 0 | 22 |
| | 2016 | 22 | 0 | 0 | 0 | 0 | 0 | 22 |
| | 2017 | 22 | 0 | 1 | 0 | 0 | 0 | 21 |
| Rhode Island | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 7 | 0 | 0 | 0 | 0 | 7 |
| South Carolina | 2015 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2016 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| | 2017 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| South Dakota | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Tennessee | 2015 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2016 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2017 | 8 | 0 | 0 | 1 | 0 | 0 | 7 |
| Texas | 2015 | 16 | 0 | 5 | 0 | 0 | 0 | 11 |
| | 2016 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2017 | 11 | 9 | 0 | 1 | 0 | 0 | 19 |
| Utah | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Virginia | 2015 | 10 | 0 | 4 | 0 | 0 | 0 | 6 |
| | 2016 | 6 | 11 | 0 | 0 | 0 | 0 | 17 |

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Termi-nations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 17 | 0 | 0 | 0 | 0 | 0 | 17 |
| Washington | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| Wisconsin | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **TOTALS** | **2015** | **263** | **24** | **15** | **3** | **0** | **0** | **269** |
| | **2016** | **269** | **49** | **13** | **2** | **0** | **0** | **303** |
| | **2017** | **303** | **50** | **13** | **7** | **0** | **0** | **333** |

**Notes**:

(1) Multiple franchises operated from the same location are counted as separate outlets in this Table.

(2) All numbers are as of December 31 of each year.

(3) States not listed had no franchisee-owned outlet activity for years 2015, 2016, or 2017.

(4) Each franchise territory has a separate franchise agreement, and we currently award franchise territories based on approximately equal population increment targets. Therefore, when a franchisee renews or transfers a territory, or if an Affiliate-Owned Business becomes a franchisee-owned business, the original territory may be subdivided among multiple new franchise agreements based on our population density increment target. As a result, the number of franchises in a particular state may increase or decrease due to the subdivision of a larger territory.

(5) Outlets shown in Table 5 of Item 20 in the column "Franchise Agreements Signed But Outlet Not Opened" will not be listed in the "Outlets Opened" column in Table 3 of Item 20 until the year the outlet opens.

**Table 4**
**Status of Company-Owned Outlets**
**For Years 2015 to 2017[1] [2]**

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|
| Alabama | 2015 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 1 | 0 |

| State[3] | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year[4] |
|---|---|---|---|---|---|---|---|
| California | 2015 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2016 | 5 | 0 | 0 | 0 | 0 | 5 |
| | 2017 | 5 | 0 | 0 | 0 | 0 | 5 |
| Colorado | 2015 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 3 |
| Florida | 2015 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 3 |
| Georgia | 2015 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 3 | 0 | 0 |
| Indiana | 2015 | 11 | 0 | 0 | 0 | 0 | 11 |
| | 2016 | 11 | 0 | 0 | 0 | 0 | 11 |
| | 2017 | 11 | 0 | 0 | 0 | 0 | 11 |
| Maryland | 2015 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 1 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nevada | 2015 | 7 | 0 | 0 | 0 | 0 | 7 |
| | 2016 | 7 | 0 | 0 | 0 | 0 | 7 |
| | 2017 | 7 | 0 | 0 | 0 | 0 | 7 |
| Ohio | 2015 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 1 |
| Oklahoma | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas | 2015 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 0 | 0 | 0 | 3 |
| **TOTALS** | **2015** | **38** | **0** | **0** | **0** | **0** | **38** |
| | **2016** | **38** | **0** | **0** | **1** | **0** | **37** |
| | **2017** | **37** | **0** | **0** | **3** | **1** | **33** |

**Notes:**

(1) All numbers are as of December 31 of each year.

(2) "Company-Owned Outlets" include Affiliate-Owned Businesses.

(3) States not listed had no Company-Owned Outlets for years 2015, 2016 or 2017.

(4) Each franchise territory has a separate franchise agreement, and we currently award franchise territories based on approximately equal population increment targets. Therefore, when a franchisee renews or transfers a territory, or if an Affiliate-Owned Business becomes a franchisee-owned business, the original territory may be subdivided among multiple new franchise agreements based on our population density increment target. As a result, the number of franchises in a particular state may increase or decrease due to the subdivision of a larger territory.

**Table 5**

**Projected Openings**
**As Of December 31, 2017**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlet in the Next Fiscal Year | Projected New Affiliate-Owned Outlet in the Next Fiscal Year |
|---|---|---|---|
| Arizona | | 4 | |
| Arkansas | | 4 | |
| California | | 6 | |
| Florida | | 5 | |
| Georgia | | 4 | |
| Illinois | | 3 | |
| Indiana | | 2 | |
| Maine | | 4 | |
| Maryland | | 2 | |
| Michigan | | 5 | |
| Missouri | | 3 | |
| Montana | | 2 | |
| New Mexico | | 2 | |
| New York | | 4 | |
| North Carolina | | 5 | |
| Oklahoma | | 4 | |
| Oregon | | 4 | |
| Pennsylvania | | 2 | |
| Texas | | 5 | |
| Washington | | 5 | |
| Wisconsin | | 3 | |
| **TOTALS** | **0** | **78** | |

Attached as **Exhibit E** is a list of the names of all franchisees, the number of franchises each franchisee owns and their addresses and telephone numbers of all their franchises as of December 31, 2017.

Attached as **Exhibit F** is a list of the name and city, state and business telephone number (or if unknown, last known home telephone number) of every franchisee who: (i) had a franchise

terminated, canceled, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement (ii) had a franchise not renewed during the past fiscal year; (iii) has not communicated with us within ten weeks of the issuance date of this Disclosure Document, or (iv) has transferred ownership during the past fiscal year. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the past three years, some of our current and former franchisees have signed confidentiality agreements related to our franchise System. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Franchisor. 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.

We created the **FLT** which previously operated as two separate councils, the Marketing Advisory Council and the Franchise Advisory Council. The FLT is chaired by a Clockwork Services corporate representative and is generally composed of a total of nine members (franchisees) from the three Clockwork Services brands (One Hour, Ben Franklin, and Mister Sparky). Currently, franchisees on the FLT are generally selected based on a vote by then current franchisees of the three Clockwork Services brands, except in the event of a vacancy before the end of a member's term. In the event of a vacancy, the vacancy may be filled by a member selected by the franchisor of the applicable franchise system as determined by the applicable franchisor in its sole and absolute discretion. The FLT's expenses are paid for by us. Under the current FLT bylaws, only franchisees in good standing may serve on the FLT and must adhere to such requirements as we may establish from time to time. We reserve the right to alter the bylaws at any time at our discretion. The address for the FLT is our principal office at 12 Greenway Plaza, Suite 250, Houston, Texas 77046. The FLT does not maintain a separate telephone number, email address, or website. The FLT usually meets four times each year, twice in-person and twice through teleconference. The FLT provides us with input on advertising policies, plans, programs, strategies, and other matters that impact the One Hour, Ben Franklin, and Mister Sparky franchise systems. The FLT serves in an advisory capacity only. We have the power to form, change or dissolve the FLT at any time.

The following independent franchisee organization has asked to be included in this Disclosure Document: Home Services Franchise Owners Association. Contact information: Home Services Franchise Owners Association, Board of Directors, American Association of Franchisees & Dealers, Post Office Box 10158, Palm Desert, California 92255-1058; Phone: 619-209-3775; Fax: 866-855-1988; and Email: HSFOA@aafdchapters.org.

## Item 21
## FINANCIAL STATEMENTS

The audited financial statements of One Hour Air Conditioning Franchising, L.L.C. including the balance sheets at December 31, 2017, 2016 and 2015, and the related statements of operations, member's equity and cash flows for the years then ended are attached to this Disclosure Document as **Exhibit G**.

## Item 22
## CONTRACTS

The following agreements are attached to this Disclosure Document:

A. Promissory Notes and Guaranties - **Exhibit C**

A-1 Promissory Note and Guaranty for Franchise Agreement - **Exhibit C-1**

A-2 Promissory Note and Guaranty for Area Development Agreement - **Exhibit C-2**

B. All Hands Confidentiality Agreement - **Exhibit D**

C. Franchise Agreement, including Exhibits - **Exhibit H**

C-1 Incentive Program Amendment (With Incentive Payment) - **Exhibit H-1**

C-2 Incentive Program Amendment (Without Incentive Payment) - **Exhibit H-2**

D. Area Development Agreement, including Exhibits - **Exhibit I**

E. State Specific Amendments to franchise agreements for franchisees in Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin - **Exhibit J**

F. Renewal Addendum - **Exhibit K**

G. General Releases - **Exhibit L**

H. UWIN Agreement - **Exhibit M**

## Item 23
## RECEIPTS

The last four pages of this Disclosure Document, included as **Exhibit N,** are receipt pages. Please sign and date all copies. Detach the last two pages and return them to us promptly on execution.

# EXHIBIT A

# LIST OF STATE ADMINISTRATORS

**EXHIBIT A**
**LIST OF STATE ADMINISTRATORS**

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

**California**

Department of Business Oversight
320 W. 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

**Hawaii**

Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

**Illinois**

Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

**Indiana**

Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

**Maryland**

Office of the Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

**Michigan**

Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
Williams Building, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

**Minnesota**

Minnesota Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-6328

**New York**

Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8211

**North Dakota**

North Dakota Securities Department
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

**Oregon**

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

**Rhode Island**

Department of Business Regulation
Securities Division
1511 Pontiac Avenue
John O. Pastore Complex-69-1
Cranston, Rhode Island 02920-4407
(401) 462-9527

**South Dakota**

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

**Virginia**

Division of Securities and
Retail Franchising
State Corporation Commission
Commonwealth of Virginia
Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219
(804) 371-9051

**Washington**

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

**Wisconsin**

Division of Securities
Department of Financial Institutions
Wisconsin Commissioner of Securities
P.O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-2801

# EXHIBIT B

# AGENTS FOR SERVICE OF PROCESS

**EXHIBIT B**
**AGENTS FOR SERVICE OF PROCESS**

**California**

Commissioner of Business Oversight
Department of Business Oversight
Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
1-866-275-2677

**Florida**

Florida Department of Agriculture and
Consumer Services
Plaza Level 10, The Capitol
400 S. Monroe Street
Tallahassee, Florida 32399-0800

**Hawaii**

Hawaii Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

**Illinois**

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

**Indiana**

Secretary of State
State of Indiana
201 State House
200 W. Washington St.
Indianapolis, Indiana 46204

**Maryland**

Maryland Securities Commissioner
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

**Michigan**

Franchise Administration
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913

**Minnesota**

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

**Missouri**

CT Corporation System
120 South Central Avenue
Clayton, Missouri 63105

**New York**

Secretary of State
State of New York
99 Washington Avenue
Albany, New York 12231

**North Dakota**

Securities Commissioner
State of North Dakota
5th Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510

**Oregon**

Department of Consumer and
Business Services
Division of Finance and Corporate
Securities
State of Oregon
3350 Winter St., N.E.
Room 21
Salem, Oregon 97310

**Rhode Island**

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

**South Dakota**

Department Of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre, South Dakota 57501-3185

**Texas**

Corporate Creations Network, Inc.
4265 San Felipe, #1100
Houston, Texas 77027

**Virginia**

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

**Washington**

Director of Financial Institutions
Securities Division
150 Israel Rd, S.W.
Tumwater, Washington 98501

**Wisconsin**

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

# EXHIBIT C

# PROMISSORY NOTES AND GUARANTIES

**PROMISSORY NOTE AND GUARANTY**
**(Franchise Agreement)**

**AMOUNT:** _____ **DATE:** _____

FOR VALUE RECEIVED, the undersigned ("**Maker**"), hereby promises to pay to the order of ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("Franchisor"), the sum of _____ and ____/100 **Dollars** (**$**_____), together with interest on the unpaid principal balance hereof at the rate of _____ **percent** (____%) per annum, which principal and accrued interest will be due and payable in _____ (___) equal monthly installments of _____ and ____/100 $_____ each, commencing on, _____ and continuing thereafter on the 1st day of each month until, when the outstanding principal balance and all unpaid accrued interest will be due and payable in full.

Maker reserves the right to prepay all or any portion of this Promissory Note and Guaranty ("**Promissory Note**") at any time and from time to time without premium or penalty of any kind by paying, in addition to the principal amount of such prepayment, the interest accrued hereon to the date of such prepayment.

In the event that (a) Maker will default in the payment of principal or interest due hereunder and such default will continue for 10 days after the mailing of written notice of such default to Maker at Maker's last known address, or (b) a receiver is appointed for Maker or Guarantor (if applicable) or any part of Maker's property, or (c) Maker or Guarantor (if applicable) makes any general assignment for the benefit of Maker's or Guarantor's creditors, or any proceeding is commenced by or against Maker or Guarantor (if applicable) or any guarantor, surety, endorser, or other person directly or indirectly liable for any of the obligations hereunder, or (d) Maker will be deemed in default of the Franchise Agreement of even date between Maker and Franchisor ("**Default**"), the holder of this Promissory Note (the "**Holder**") will have the right, in any of such events, to declare the outstanding principal balance hereunder and all unpaid accrued interest immediately due and payable in full (the "**Balance Due**"). In the event that a Default occurs, Maker also agrees to pay upon demand all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

Maker and Guarantor (if applicable) agree: No delay or omission by Holder in exercising any of its rights or remedies hereunder or otherwise will impair any of such rights or remedies, nor will any such delay or omission be construed as a waiver of any Default hereunder, and Holder may exercise every such right and remedy from time to time as often as Holder may deem expedient; all rights and remedies of Holder whether or not granted hereunder will be cumulative and may be exercised singularly or concurrently, and no such right or remedy is intended to be exclusive of any other right or remedy of Holder; and no waiver by Holder of any Default hereunder will be effective unless in writing and signed and delivered by Holder, and no such waiver or any default will extend to or affect any subsequent or other Default or impair any rights or remedies of Holder.

This Promissory Note will be the joint and several obligation of Maker, Guarantor (if applicable) and all guarantors, sureties, endorsers, and/or any other persons now or hereafter liable hereon, if

any, and will be binding upon them and their heirs, executors, personal representatives, successors and assigns.

Any demand upon or notice of other communication to Maker and/or Guarantor (if applicable) will be effective if delivered by hand delivery or deposited in the mails, postage prepaid, addressed to Maker and/or Guarantor (if applicable) at the address(es) of Maker and/or Guarantor as set forth in Holder's records, or, if Maker and/or Guarantor (if applicable) has notified Holder of a change of address, to the last address of which Holder has been so notified.

Maker and Guarantor (if applicable), for Maker and Guarantor (if applicable) and for any guarantors, sureties, endorsers and/or any other persons now or hereafter liable hereon, if any, hereby waive demand for payment, presentment for payment, protest, notice of nonpayment or dishonor, and any and all other notices and demands whatsoever.

If any provision or application of this Promissory Note is adjudicated to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision or application of this Promissory Note that can be given effect without the invalid or unenforceable provision or application. Interest will accrue hereunder at the lesser of (a) the rate stated hereinabove, or (b) the maximum rate permitted by law.

Notwithstanding any provision of this Promissory Note to the contrary, Maker and/or Guarantor (if applicable) and Holder intend that no provision of this Promissory Note be construed, applied or enforced as to permit or require the payment or collection of interest in excess of the highest rate of interest permitted to be paid or collected (the "**Maximum Permitted Rate**"). If any such provision is so construed, applied or enforced, then the parties intend: (i) that such provision automatically will be deemed reformed nunc pro tunc so as to require payment only of interest at the Maximum Permitted Rate; and (ii) if interest payments in excess of the Maximum Permitted Rate have been received, that the amount of such excess will be deemed credited nunc pro tunc in reduction of the then outstanding principal amount of this obligation, together with interest at the Maximum Permitted Rate.

For additional and other value received, the existence, amount and sufficiency of which are hereby acknowledged, the undersigned guarantor(s) (singly or collectively referred to as "**Guarantor**") jointly and severally hereby guarantee to Holder (a) the immediate, absolute and unconditional payment of the Balance Due of this Promissory Note after Default and (b) the immediate, absolute and unconditional payment of all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

This Promissory Note will be governed by, and construed and enforced in accordance with, the internal laws of the state in which One Hour's principal place of business is located at the time the action is commenced.

IN WITNESS WHEREOF, Maker and Guarantor, if applicable, have executed and delivered this Promissory Note at the place specified above and as of the date first written above.

| MAKER | GUARANTOR |
| --- | --- |
| COMPANY NAME:<br>(PRINT FULL COMPANY NAME IF APPLICABLE)<br>Organized in the State of _____ | |
| By: _____<br>Name:<br>Title:<br>Date: | _____<br>Name:<br>Title:<br>Date: |
| _____<br>(PRINT MAIL ADDRESS) | _____<br>(PRINT MAIL ADDRESS) |

**PROMISSORY NOTE AND GUARANTY**
**(Area Development Agreement)**

**AMOUNT:** _____ **DATE:** _____

FOR VALUE RECEIVED, the undersigned ("**Maker**"), hereby promises to pay to the order of ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("Franchisor"), the sum of _____ and ____/100 **Dollars** (**$**_____), together with interest on the unpaid principal balance hereof at the rate of _____ **percent** (____%) per annum, which principal and accrued interest will be due and payable in _____ (___) equal monthly installments of _____ and ____/100 $_____ each, commencing on, _____ and continuing thereafter on the 1st day of each month until, when the outstanding principal balance and all unpaid accrued interest will be due and payable in full.

Maker reserves the right to prepay all or any portion of this Promissory Note and Guaranty ("**Promissory Note**") at any time and from time to time without premium or penalty of any kind by paying, in addition to the principal amount of such prepayment, the interest accrued hereon to the date of such prepayment.

In the event that (a) Maker will default in the payment of principal or interest due hereunder and such default will continue for 10 days after the mailing of written notice of such default to Maker at Maker's last known address, or (b) a receiver is appointed for Maker or Guarantor (if applicable) or any part of Maker's property, or (c) Maker or Guarantor (if applicable) makes any general assignment for the benefit of Maker's or Guarantor's creditors, or any proceeding is commenced by or against Maker or Guarantor (if applicable) or any guarantor, surety, endorser, or other person directly or indirectly liable for any of the obligations hereunder, or (d) Maker will be deemed in default of the Area Development Agreement of even date, between Maker and Franchisor or other agreement between Maker and Franchisor ("**Default**"), the holder of this Promissory Note (the "**Holder**") will have the right, in any of such events, to declare the outstanding principal balance hereunder and all unpaid accrued interest immediately due and payable in full (the "**Balance Due**"). In the event that a Default occurs, Maker also agrees to pay upon demand all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

Maker and Guarantor (if applicable) agree: No delay or omission by Holder in exercising any of its rights or remedies hereunder or otherwise will impair any of such rights or remedies, nor will any such delay or omission be construed as a waiver of any Default hereunder, and Holder may exercise every such right and remedy from time to time as often as Holder may deem expedient; all rights and remedies of Holder whether or not granted hereunder will be cumulative and may be exercised singularly or concurrently, and no such right or remedy is intended to be exclusive of any other right or remedy of Holder; and no waiver by Holder of any Default hereunder will be effective unless in writing and signed and delivered by Holder, and no such waiver or any default will extend to or affect any subsequent or other Default or impair any rights or remedies of Holder.

This Promissory Note will be the joint and several obligation of Maker, Guarantor (if applicable) and all guarantors, sureties, endorsers, and/or any other persons now or hereafter liable hereon, if any, and will be binding upon them and their heirs, executors, personal representatives, successors and assigns.

Any demand upon or notice of other communication to Maker and/or Guarantor (if applicable) will be effective if delivered by hand delivery or deposited in the mails, postage prepaid, addressed to Maker and/or Guarantor (if applicable) at the address(es) of Maker and/or Guarantor as set forth in Holder's records, or, if Maker and/or Guarantor (if applicable) has notified Holder of a change of address, to the last address of which Holder has been so notified.

Maker and Guarantor (if applicable), for Maker and Guarantor (if applicable) and for any guarantors, sureties, endorsers and/or any other persons now or hereafter liable hereon, if any, hereby waive demand for payment, presentment for payment, protest, notice of nonpayment or dishonor, and any and all other notices and demands whatsoever.

If any provision or application of this Promissory Note is adjudicated to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision or application of this Promissory Note that can be given effect without the invalid or unenforceable provision or application. Interest will accrue hereunder at the lesser of (a) the rate stated hereinabove, or (b) the maximum rate permitted by law.

Notwithstanding any provision of this Promissory Note to the contrary, Maker and/or Guarantor (if applicable) and Holder intend that no provision of this Promissory Note be construed, applied or enforced as to permit or require the payment or collection of interest in excess of the highest rate of interest permitted to be paid or collected (the "**Maximum Permitted Rate**"). If any such provision is so construed, applied or enforced, then the parties intend: (i) that such provision automatically will be deemed reformed nunc pro tunc so as to require payment only of interest at the Maximum Permitted Rate; and (ii) if interest payments in excess of the Maximum Permitted Rate have been received, that the amount of such excess will be deemed credited nunc pro tunc in reduction of the then outstanding principal amount of this obligation, together with interest at the Maximum Permitted Rate.

For additional and other value received, the existence, amount and sufficiency of which are hereby acknowledged, the undersigned guarantor(s) (singly or collectively referred to as "**Guarantor**") jointly and severally hereby guarantee to Holder (a) the immediate, absolute and unconditional payment of the Balance Due of this Promissory Note after Default and (b) the immediate, absolute and unconditional payment of all costs and expenses reasonably incurred or paid at any time by Holder, including, but not limited to, reasonable attorneys' fees and other legal costs, in enforcing payment and collection of the Balance Due of this Promissory Note.

This Promissory Note will be governed by, and construed and enforced in accordance with, the internal laws of the state in which Franchisor's principal place of business is located at the time the action is commenced.

IN WITNESS WHEREOF, Maker and Guarantor, if applicable, have executed and delivered this Promissory Note at the place specified above and as of the date first written above.

| MAKER | GUARANTOR |
| --- | --- |
| COMPANY NAME:<br>(PRINT FULL COMPANY NAME IF APPLICABLE)<br>Organized in the State of _____ | |
| By: _____<br>Name:<br>Title:<br>Date: | _____<br>Name:<br>Title:<br>Date: |
| _____<br>(PRINT MAIL ADDRESS) | _____<br>(PRINT MAIL ADDRESS) |

# EXHIBIT D

# ALL HANDS CONFIDENTIALITY AGREEMENT

# ALL HANDS CONFIDENTIALITY AGREEMENT

Dated_____
One Hour Franchise #_____
One Hour Franchise Name _____

**THIS ALL HANDS CONFIDENTIALITY AGREEMENT** ("**Agreement**") dated as indicated in this Agreement, is made by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**Franchisor**"), located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046, and the individual noted below ("**Recipient**").

Franchisor and the company or entity noted above ("**Franchisee**") entered into or are considering entering into a Franchise Agreement ("**Franchise Agreement**") to operate a One Hour Air Conditioning & Heating residential air conditioning and heating maintenance, repair and equipment replacement services franchised business ("**Franchised Business**"). Recipient is either an owner of Franchisee, one of Franchisee's officers, directors, members or partners, Franchisee's manager or employee (a "**Key Individual**"), a potential owner of a franchisee or spouse of one of the foregoing.

Pursuant to a request by Franchisee, Franchisor has agreed to provide its Confidential Information (as that term is defined in the Franchise Agreement), to Recipient to use in the evaluation of the Franchised Business (if prior to the execution of a Franchise Agreement) and/or operation of the Franchised Business, and to allow disclosure of Confidential Information to Franchisee's Key Individuals only to the extent necessary for the evaluation and/or operation of the Franchised Business; provided, that the Recipient sign and agree to be bound by this Agreement. Recipient acknowledges that Franchisor wishes to maintain the confidentiality of its Confidential Information and certain Confidential Information will be disclosed to Recipient only pursuant to the terms and conditions of this Agreement.

**NOW, THEREFORE**, in consideration of the covenants and the promises herein contained, the parties agree as follows:

## 1. Nature of Confidential Information

Recipient acknowledges and agrees that all Confidential Information it receives from Franchisor is of a proprietary and confidential nature and a trade secret of Franchisor. For purposes of this Agreement, "Confidential Information" may include, by way of example, but not limitation, information relating to the operation of the Franchised Business including the standards, methods, procedures and specifications of the System, including the System Standards and the contents of the Operations Manual (each as defined in the Franchise Agreement). Recipient will not acquire any interest in the Confidential Information learned by Recipient other than the right for Franchisee acting through Recipient to utilize the same in connection with ownership and operation of the Franchised Business during the Term of the Franchise Agreement and any renewal term. Recipient acknowledges that the use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with Franchisor, its affiliates and Franchisor's other franchisees.

## 2. Limitation on Use of Confidential Information

Franchisor is disclosing the Confidential Information solely on the condition that Recipient agree, and Recipient hereby agrees, that any Confidential Information received from Franchisor (a) will only be used in accordance with this Agreement, (b) will only be used for purposes of evaluating the Franchised Business and performing pursuant to the Franchise Agreement, (c) will not be used in any other business, manner or capacity, except the Franchised Business, (d) will have its absolute confidentiality maintained both during and after the Term of the Franchise Agreement and any renewal term, (e) will not be copied without authorization, and (f) will not be disclosed to any third party without the prior written consent of Franchisor. Recipient agrees to use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further agrees to limit the dissemination of the Confidential Information within its own organization to individuals whose duties justify the need to know such information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Each other person receiving the Confidential Information must sign a copy of this Agreement. Recipient will protect the Confidential Information from both unauthorized use and unauthorized disclosure by exercising at least reasonable care. Recipient will immediately give notice to Franchisor of any unauthorized or suspected unauthorized use or disclosure of Confidential Information.

Recipient acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Recipient is completely within the discretion of Franchisor.

## 3. Disclosure Period

This Agreement relates to Confidential Information disclosed before or after the effective date of this Agreement and remains in effect for [five (5)] years after the date of the last disclosure or use of Confidential Information: but to the extent Confidential Information constitutes a "trade secret" under applicable law, the obligation to protect that Confidential Information will remain in effect so long as the Confidential Information remains a "trade secret."

## 4. Non-Solicitation

Recipient further acknowledges and agrees that the identity, background and/or work capabilities of Franchisor's employees constitutes, by way of example and not limitation, Confidential Information and, accordingly, that Recipient will not, during the term of the Franchise Agreement and for a period of three years after expiration or termination of the Franchise Agreement, directly or indirectly solicit, retain or hire for employment or for any other type of working relationship any employee of Franchisor or any of its affiliates without the prior express written consent of the Franchisor.

## 5. Return of Confidential Information

Upon termination or expiration of the Franchise Agreement, or earlier if requested by Franchisor, Recipient will return all Confidential Information to Franchisor. Recipient will be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the

general public through no action or inaction of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt; (d) lawfully obtained from a third party not under any obligation of confidentiality; or (e) disclosed with the prior written approval of Franchisor. Recipient may disclose Confidential Information pursuant to the order or requirement of a court, administrative agency or other governmental body; provided, however, Recipient must give Franchisor prompt written notice of the required disclosure so that Franchisor may seek a protective order or otherwise prevent or restrict such disclosure.

## 6. Consent to Injunctive Relief

Recipient acknowledges and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in monetary damages if Recipient discloses or misuses any Confidential Information. Accordingly, in the event of a breach of this Agreement by Recipient, Recipient consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. Recipient agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor. Nothing in this Agreement, however, will prohibit Franchisor from also pursuing all other rights and remedies which will remain cumulative.

## 7. Governing Law and Venue

This Agreement will be governed and construed in accordance with the internal laws of the state in which Franchisor's principal place of business is located at the time the action is commenced, without giving effect to conflict of laws, principles, or rules. Recipient agrees that any legal suit, action or proceeding arising out of or relating to this Agreement will be commenced solely and exclusively in the county and state where Franchisor has its principal place of business when the action is commenced, and Recipient irrevocably submits to the exclusive jurisdiction and venue of such court in any such suit, action, proceeding or appeal, except that this provision will not affect any right to remove such suit, action or proceeding to the federal court of or sitting in the county and state where Franchisor has its principal place of business when the action is commenced.

## 8. Miscellaneous

This Agreement together with the Franchise Agreement constitutes the entire agreement and understanding among the parties hereto with respect to the disclosure of Confidential Information to Recipient and will not be amended except pursuant to a written agreement executed by each of the parties hereto. This Agreement will be binding upon the parties hereto and their respective heirs, administrators, successors and assigns. If Recipient breaches or attempts to breach any of the terms or covenants of this Agreement, Recipient will pay to Franchisor upon written demand or as part of a judgment all of Franchisor's costs and expenses, including attorneys' fees, incurred by Franchisor in enforcing the terms of this Agreement whether or not litigation is commenced. No breach of any covenant, agreement, warranty or representation made herein will be deemed waived unless expressly waived in writing by Franchisor. No such waiver will be deemed to be a waiver of any other matter, whenever occurring and whether identical, similar or dissimilar to the matter waived. As expressed or implied in this Agreement, certain provisions,

obligations and covenants of this Agreement will survive the termination of the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date noted above, or, as of the date of the Franchise Agreement, whichever first occurred.

**RECIPIENT**

_____

Signature

_____

Printed Name

_____

Address

_____

Address

# EXHIBIT E

# LIST OF FRANCHISEES

We have listed below, alphabetical by state, the names of all franchisees, the number of franchises owned, and the addresses and telephone numbers as of December 31, 2017:

| **Name of Franchise** | **Number of Franchises** |
|---|---|
| **Alabama** | |
| Joe East Heating and Air Conditioning, Inc.<br>2011 Poole Drive<br>Huntsville, AL 35810<br>Attn: Barbara East<br>(256) 775-2302 | 5 franchises owned and operated from<br>1 location. |
| Nice Ham, LLC<br>2406 Valleydale Road<br>Birmingham, AL 35244<br>Attn: Lenny Siers<br>(205) 982-7561 | 5 franchises owned and operated from<br>1 location. |
| **Arizona** | |
| N & L Investment Corporation<br>1890 Commander Drive<br>Lake Havasu City, AZ 86403<br>Attn: Larry Thornton<br>(928) 855-0002 | 13 franchises owned and operated from<br>1 location. |
| N & L Investment Corporation<br>4901 W. Van Buren<br>Phoenix, AZ 85043<br>Attn: Larry Thornton<br>(928) 855-0002 | 2 franchises owned and operated from<br>1 location. |
| Superior Heating and Cooling, LLC<br>350 S. 7th Street, Bldg B<br>Sierra Vista, AZ 85615<br>Attn: Derek Coleman<br>(520) 803-7716 | 1 franchise owned. |
| Yuma Fast Air, Inc.<br>1102 East 21st Street, Suite A<br>Yuma, AZ 85365<br>Attn.: William Stover<br>(928) 329-0587 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| **Arkansas** | |
| Stith Enterprises, LLC<br>2231 N. Lowell Road Suite B4<br>Springdale, AR 72764<br>Attn: Gary and Wendy Stith<br>(479) 751-9691 | 1 franchise owned. |
| **California** | |
| ARMS Air Conditioning & Heating, LLC<br>370 Air Park Road<br>Atwater, CA 95301<br><br>Attn: Shelly and Connie Haase<br>(209) 357-2994 | 2 franchises owned and operated from 1 location. |
| Holdings Hanover<br>301 Espree Street, Suite B<br>Bakersfield, CA 93301<br>Attn: Mark DeVries<br>(661) 327-7323 | 1 franchise owned. |
| Bigham Services, Inc.<br>2490 Arnold Industrial Way<br>Suite 1<br>Concord, CA 94520<br>Attn: Paul Bigham<br>(707) 431-1800 | 2 franchises owned and operated from 1 location. |
| Direct Energy Retail Services, Inc.<br>3845 Atherton Road, Suite 4<br>Rocklin, CA 95765<br>Attn: GM: Sonja Flores<br>(916) 442-5542 | 5 company owned franchises operated from 1 location. |
| Bigham Services, Inc.<br>1400 Petaluma Hill<br>Santa Rosa, CA 94404<br>Attn: Paul Bigham<br>(707) 431-1800 | 3 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| **Colorado** | |
| Direct Energy Services Retail, Inc.<br>2555 S. Santa Fe Drive, Unit J<br>Denver, CO 80232<br>Attn: GM: Cory Clinton<br>(303) 871-7171<br>and<br>487 N Denver Ave<br>Loveland, CO 80537<br>Attn: GM: Cory Clinton<br>(970) 292-5769 | 3 company owned franchises operated from 2 locations. |
| Montrose Plumbing & Heating, Inc.<br>201 N 1st Street<br>Montrose, CO 81401<br>Attn: Eli and Abby Power<br>(970) 249-3202 | 1 franchise owned. |
| Smith Sheet Metal, Inc.<br>827 W. 10th Street<br>Pueblo, CO 81003<br>Attn: Bob Vigil<br>(719) 542-3293 | 1 franchise owned. |
| **Connecticut** | |
| Sensible Heating & Cooling, LLC<br>330 River Road<br>Shelton, CT 06484<br>Attn: Ralph Desanti and Gary Morrison<br>(203) 734-4499 | 1 franchise owned. |
| R. Ross Mechanical<br>10 Makara Street<br>Terryville, CT 06786<br>Attn: Richard F. Ross<br>(860) 589-8979 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| C & G Heating & Air Conditioning<br>977 East Main Street<br>Torrington, CT 06790<br>Attn: James J. Grustas and John P. Grustas<br>(860) 482-3400 | 1 franchise owned. |
| **Delaware** | |
| Sapphire Coast Services, LLC<br>9747 Stephen Decatur<br>Ocean City, MD 21842<br>Attn: Ronald Williams<br>(410) 629-0003 | 1 Delaware franchise owned and operated from franchisee's Maryland location. |
| Calvert Mechanical Systems, Inc.<br>410 Meco Drive<br>Wilmington, DE 19804<br>Attn: Christopher Lenhard<br>(302) 998-0460 | 4 franchises owned and operated from 1 location. |
| **Florida** | |
| Instants 0167, LLC<br>1198 Mayport Road, Suite 1<br>Atlantic Beach, FL 32233<br>Attn: David Cox<br>(904) 241-3107 | 1 franchise owned. |
| About Time Management, LLC<br>1198 Mayport Road, Suite 1<br>Atlantic Beach, FL 32233<br>Attn: David Cox<br>(904) 241-3107 | 1 franchise owned. |
| Whitmire Air Conditioning, Inc.<br>500 South Lake Avenue<br>Avon Park, FL 33825<br>Attn: Spencer Whitmire<br>(863) 453-3019 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| ATM 241, Inc.<br>410 22nd Street East<br>Bradenton, FL 34208<br>Attn: David Cox<br>(941) 747-3096 | 1 franchise owned. |
| Instants 006, LLC<br>660 Cox Rd, Suite 6<br>Cocoa, FL 32934<br>Attn: David Cox<br>(386) 788-2838 | 2 franchises owned and operated from 1 location. |
| DayJay, Inc.<br>300 S. Rigewood Ave. #B<br>Daytona, FL 32119<br>Attn: David J. Cox<br>(386) 262-1111 | 2 franchises owned and operated from 1 location. |
| One Hour Air of Central Florida, LLC<br>4735 U.S. Hwy 92 East<br>Lakeland, FL 33801<br>Attn: Scott Vigue<br>(888) 333-8888 | 8 franchises owned and operated from 1 location. |
| WESP, Inc.<br>10840 76th Court<br>Largo, FL 33777<br>Attn: Wayne Reynolds and Scott Reynolds<br>(727) 230-6661 | 3 franchises owned and operated from 1 location. |
| Direct Energy US Home Services, Inc.<br>4380 Enterprise Avenue<br>Naples, FL 34104<br>Attn: GM Jim Britton<br>(239) 254-4520 | 1 company owned franchise. |
| Niceville Refrigeration & Air Conditioning, Inc.<br>321 Hwy 85 North<br>Niceville, FL 32578<br>Attn: Lenny & Fran Siers<br>(850) 678-0021 | 4 franchises owned and operated from 1 location. |
| Florida Air Cooler's, Inc. | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| 2441 SW 57th Ave, Suite 103<br>Ocala, FL 34479<br>Attn: Cecil "Richard" Davis<br>(352) 629-5202 | |
| Direct Energy US Home Services, Inc.<br>3800 Park Central Blvd. N.<br>Pompano Beach, FL 33064<br>Attn: GM Chad Huddleson<br>(561) 900-1014 | 2 company owned franchises. |
| Princeco, Inc.<br>5808 56th Street North, Suite A<br>Tampa, FL 33610<br>Attn: Scott Vigue<br>(813) 980-3353 | 7 franchises owned and operated from 1 location. |
| Air Conditioning Experts, Inc.<br>8233 Gator Lane #25<br>West Palm Beach, FL 33411<br>Attn: Mike Ramos<br>(561) 965-5880 | 4 franchises owned and operated from 1 location. |
| **Georgia** | |
| A.W. Duggan, Inc.<br>1729 Fairview Avenue<br>Augusta, GA 30904<br>Attn: Anthony Duggan and Terrie Black<br>(706) 733-8703 | 1 franchise owned. |
| J1 Vision Enterprises, LLC<br>140 South 2nd Street<br>Jesup, GA 31546<br>Attn: Ralph A. Hickox Jr.<br>(912) 427-7022 | 1 franchise owned. |
| Henson Mechanical Inc. | 15 franchises owned and operated from |

| Name of Franchise | Number of Franchises |
|---|---|
| 1791 Highway 78 NW<br>Monroe, GA 30656<br>Attn: Steve Kitchens and Mark Henson<br>(770) 207-1382 | 1 location. |
| **Idaho** | |
| Total Systems Services, Inc.<br>1712 S. Roosevelt Street<br>Boise, ID 83705<br>Attn: Michael A. Lukes and Steven J. Miller<br>(208) 376-1393 | 1 franchise owned. |
| Youngberg Heating & Cooling, LP<br>1720 7th Avenue North<br>Pavette, ID 83361<br>Attn: Duane Youngberg, Bonnie Youngberg and Gary Youngberg<br>(208) 642-6051 | 1 franchise owned. |
| **Illinois** | |
| AAA Northgate, Inc.<br>719 Sabrina Drive<br>East Peoria, IL 61611<br>Attn: Chris Baumann and Bradley Johnson<br>(309) 686-2667 | 9 franchises owned and operated from 1 location. |
| Associated Heating Group, Inc.<br>945 Tonne Rd<br>Elk Grove Village, IL 60007<br>Attn: Pete Wykle and Bill Wykle<br>(847) 439-8585 | 5 franchises owned and operated from 1 location. |
| Pass &Pass, LLC<br>208 Rushing Drive<br>Herrin, IL 62948<br>Attn: Francis Pass and Richard Pass<br>(618) 997-6471 | 1 franchise owned. |
| Phil Scheltens and Jeff Larson<br>1600 N. Milwaulki Ave | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| Rt. 83 Unit 903<br>Round Lake, IL 60073<br>Attn: Phil Scheltens<br>(224) 723-7200 | |
| **Indiana** | |
| Double L Enterprise Corp.<br>1316 E. Division Street<br>Evansville, IN 47711<br>Attn: Lance Leithliter<br>(812) 909-5267 | 1 franchise owned. |
| Direct Energy Services Retail, Inc.<br>5561 West 74th Street<br>Indianapolis, IN 46268<br>Attn: GM: Jason Ring<br>(317) 375-2175 | 11 company owned franchises owned operated from 1 location. |
| **Iowa** | |
| Beth & Kelly, Inc.<br>409 South Bell Avenue<br>Ames, IO 50010<br>Attn: Beth Faas and Kelly Freund<br>(515) 663-9971 | 1 franchise owned. |
| Just Chase, Inc.<br>1717 Falls Avenue<br>Waterloo, IA 50701<br>Attn: Russell Schrader<br>(319) 287-9196 | 2 franchises owned and operated from 1 location. |
| **Kansas** | |
| Olathe Heating & Cooling, Inc.<br>1804 East 123rd<br>Olathe, KS 66061<br>Attn: Ramon Blachly<br>(913) 390-1211 | 3 franchises owned and operated from. 1 location. |
| **Kentucky** | |

| Name of Franchise | Number of Franchises |
|---|---|
| Ontime Heating and Air Conditioning, Inc.<br>2107 Airline Road<br>Henderson, KY 42420<br>Attn: Bryan and Kelly Woodward<br>(270) 826-9998 | 1 franchise owned. |
| L1C4, LLC<br>4023 Bardstown Road, Suite A<br>Louisville, KY 40218<br>Attn: Kathleen Bryant and Tom Bell<br>(727) 216-5007 | 2 franchises owned and operated from 1 location. |
| Air Extreme, LLC<br>1213 Winchester Avenue<br>Ashland, KY 41101<br>Attn: John Dale Webb<br>(606) 329-0070 | 7 franchises owned and operated from 1 location. |
| **Louisiana** | |
| Home Comfort Enterprises, LLC<br>15025 Market Street<br>Baton Rouge, LA 70817<br>Attn: Richard Helton<br>(985) 345-4542 | 3 franchises owned and operated from 1 location. |
| Haber Services, Inc.<br>3979 Hwy. 190, Suite A<br>Covington, LA 70433<br>Attn: Tommy Livaudais<br>(985) 871-9020 | 2 franchises owned and operated from 1 location. |
| **Maryland** | |
| Advanced Comfort Systems, LLC<br>653 W. Belair Avenue<br>Aberdeen, MD 21001<br>Attn: Matthew & Alice Stewart<br>(410) 272-4219 | 3 franchises owned and operated from 1 location. |
| Stewart Asset Group, LLC<br>653 W. Belair Ave<br>Aberdeen, MD 21001 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| Attn: Matthew J. Stewart<br>(410) 272-4219 | |
| Herbert W. Collins, Inc.<br>2702 Back Acre Circle<br>Mount Airy, MD 21771<br>Attn: Larry & Gillian Collins<br>(301) 515-1001 | 2 franchises owned and operated from 1 location. |
| Tennyson Heating & Cooling, Inc.<br>13680 Point Lookout Road<br>Ridge, MD 20680<br>Attn: Edmond Tennyson<br>(301) 872-0092 | 1 franchise owned. |
| Sapphire Coast Services, LLC<br>9747 Stephen Decatur<br>Ocean City, MD 21842<br>Attn: Ronald Williams<br>(410) 629-0003 | 1 franchise owned. |
| Calvert Mechanical Systems, Inc.<br>410 Meco Drive<br>Wilmington, DE 19804<br>Attn: Christopher Lenhard and David Murray<br>(302) 998-0460 | 1 Maryland franchise owned and operated from Delaware location. |
| **Massachusetts** | |
| Mark E. Meacham, Inc.<br>253 A. Worcester Road<br>Charlton, MA 01507<br>Attn: Mark<br>(508) 248-0561 | 8 franchises owned and operated from 1 location. |
| Regan Residential Heating &<br>235 Georgia Ave.<br>Providence, RI 02905<br>Attn: Terry Regan and Matt Regan<br>(401) 461-8100 | 2 Massachusetts franchises owned and operated from Rhode Island location. |
| **Michigan** | |
| David Michael | 2 franchises owned and operated from 1. |

| Name of Franchise | Number of Franchises |
|---|---|
| 704 South Old US 23<br>Brighton, MI 48843<br>Attn: David Michael<br>(517) 404-3352 | location. |
| Aspen Heating & Cooling, Inc.<br>4131 West Michigan Avenue<br>Jackson, MI 49202<br>Attn: Gary Schultz and Mark Cesarz<br>(517) 750-0200 | 1 franchise owned. |
| Fresh Air Heating & Air Conditioning, Inc.<br>2528 Beach Road<br>Port Huron, MI 48060<br>(810) 433-1229<br>Attn: William DeVeny | 1 franchise owned. |
| **Minnesota** | |
| Rahn Home Services, Inc.<br>1904 Vermillion Street<br>Hastings, MN 55033<br>Attn: Jeff Rahn<br>(651) 437-4177 | 6 franchises owned and operated from 1 location. |
| Northern Heating & Air Conditioning, Inc.<br>9431 Alpine Drive<br>Ramsey, MN 55303<br>Attn: Brad Pete<br>(763) 323-7597 | 4 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| Opie's Plumbing, Heating and Air Conditioning, Inc.<br>2 21st Avenue South<br>St. Cloud, MN 56301<br>Attn: Donald Opheim<br>(320) 453-8438 | 1 franchise owned. |
| Opie's Plumbing, Heating and Air Conditioning, Inc.<br>545 8th Ave. NE | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| St. Joseph, MN 56374<br>Attn: Donald Opheim<br>(320) 453-8438 | |
| **Mississippi** | |
| None | |
| **Missouri** | |
| Back Home, Inc.<br>712 SW Blue Pkwy.<br>Lee Summit, MO 64063<br>Attn: Steven E. Kurtz<br>(816) 650-5448 | 3 franchises owned and operated from.<br>1 location. |
| Heartland Heating & Air, Inc.<br>3378 S. Scenic, Suite C<br>Springfield, MO 65807<br>Attn: Frank Elston<br>(417) 886-3456 | 1 franchise owned. |
| **Nebraska** | |
| Gering Valley Plumbing & Heating, Inc.<br>1100 10th Street<br>Gering, NE 69341<br>Attn: William L. Schlaepfer<br>(308) 436-4617 | 1 franchise owned. |
| P.H.E., Inc.<br>14302 C. Circle<br>Omaha, NE 68144<br>Attn: John, Sr. & Mary Kay McCarthy<br>(402) 333-3923 | 5 franchises owned and operated from<br>1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| **Nevada** | |
| Quality A/C Service, LLC<br>3141 Westwood Dr.<br>Las Vegas, NV 89109<br>Attn: GM: Jason Ring<br>(702) 731-1617 | 7 company owned franchises operated from 1 location. |
| Michael's Plumbing, Heating, Inc.<br>670 Kresge lane<br>Sparks, NV 89431<br>Attn: Mike and Linda Jared<br>(775) 355-1611 | 1 franchise owned. |
| **New Hampshire** | |
| None | |
| **New Jersey** | |
| Unity Limited Group, LLC<br>1916 Old Cuthbert Road, Unit 12<br>Cherry Hill, NJ 08034<br>Attn: Chris Corio<br>(321) 284-5508 | 1 franchise owned. |
| Air America Air Conditioning & Heating, Inc.<br>194 Greenwood Avenue<br>Midland Park, NJ 07432<br>Attn: Kenneth Kruis and Kenneth Ramm<br>(201) 447-0996 | 1 franchise owned. |
| Superior Heating & AC, LLC<br>200 Cambria Avenue, Suite F<br>Pleasantville, NJ 08232<br>Attn: David Pomales<br>(609) 641-9300 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| RJB Heating & Air Conditioning, Inc.<br>120 Kettle Creek Road<br>Toms River, NJ 08753<br>Attn: James A. Belanger, John McGarry,<br>Frank Horvath & Michael Belanger<br>(732) 341-1039 | 1 franchise owned. |
| **New Mexico** | |
| A/C LCEP, Inc.<br>260 North 17th Street<br>Las Cruces, NM 88005<br>Attn: Rocky Bacchus<br>(575) 650-1075 | 1 franchise owned. |
| **New York** | |
| John Piccirilli, Inc.<br>1019 Conklin Road<br>Conklin, NY 13748<br>Attn: John Piccirilli<br>(607) 238-7455 | 1 franchise owned. |
| George W. Fryer and<br>William C. Murdy<br>569 Acorn Street, Unit 6<br>Deer Park, NY 11729<br>Attn: George Fryer & Bill Murdy<br>(631) 242-6815 | 19 franchises owned and operated from<br>1 location. |
| Bronson Service Corp.<br>7598 U.S. Highway #11<br>Potsdam, NY 13676<br>Attn: Dan & Patricia Bronson<br>(315) 265-8192 | 1 franchise owned. |
| Bida Building Group, LLC<br>1020 Main Street<br>Elmsford, NY 10523<br>Attn: Rosmery Ramirez-Perez<br>(917) 819-4400 | 2 franchises owned and operated from<br>1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| **North Carolina** | |
| Simmons Heating, Cooling, Electrical, Inc.<br>11780 McColl Road<br>Laurinburg, NC 28352<br>Attn: Stephen W. Cole<br>(910) 276-2790 | 1 franchise owned. |
| Dan King Plumbing, Heating & Air Conditioning, LLC<br>8916-1 Crump Road<br>Charlotte, NC 28273<br>Attn: Mike Fowler and Tom Rea<br>(704) 814-7283 | 3 franchises owned and operated from 1 location. |
| Richard S. Drew, Jr<br>677 Robert Grissom Parkway<br>Myrtle Beach, SC 29577<br>Attn: Richard S. Drew, Jr.<br>(843) 448-6867 | 3 North Carolina franchises owned and operated from franchisee's South Carolina location. |
| Sustainable Building Solutions, LLC<br>4620 Industry Lane, Suite C<br>Durham, NC 27713<br>Attn: Bobby Ferrel<br>(919) 321-9988 | 4 franchises owned and operated from 1 location. |
| **North Dakota** | |
| Custom Aire, Inc.<br>1318 12th Avenue, South<br>Grand Forks, ND 58201<br>Attn: Scott and Randal Boettner<br>(701) 775-5522 | 1 franchise owned. |
| **Ohio** | |
| Avon Home Services, LLC<br>1750 Moore Road<br>Avon, OH 44011<br>Attn: Terry Mitchell<br>(440) 934-6000 | 10 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| Extreme Heating & Cooling, LTD<br>712 N. Fairfield Road<br>Beavercreek, OH 45434<br>Attn: Douglas A. Washburn<br>(937) 426-7399 | 2 franchises owned and operated from 1 location. |
| DeBoard Heating & Air<br>12043 Mayfield Road<br>Chardon, OH 44024<br>Attn: Leona Kratochvil<br>(440) 286-1978 | 1 franchise owned. |
| Direct Energy US Home Services, Inc.<br>756 Old State Route 74<br>Cincinnati, OH 45245<br>Attn: GM: Ron Crabtree<br>(513) 685-1630 | 1 franchise owned. |
| Cullins Heating & Cooling, Inc.<br>670 Radio Drive<br>Lewis Center, OH 43035<br>Attn: Jeff Cullins/Bob Brewer<br>(614) 890-0851 | 3 franchises owned and operated from 1 location. |
| Bauer & Son Heating & Cooling, Inc.<br>865 West Liberty, Suite 210<br>Medina, OH 44256<br>Attn: Mark & Barbara Geschke<br>(330) 723-9950 | 2 franchises owned and operated from 1 location. |
| All Seasons Heating & Air Conditioning & Plumbing Company<br>1602 W. Bancroft Street<br>Toledo, OH 43606<br>Attn: Robert (Bob) Karrick and John Bebeau<br>(419) 473-2915 | 1 franchise owned. |

**Oklahoma**
None

**Oregon**
None

| Name of Franchise | Number of Franchises |
|---|---|
| **Pennsylvania** | |
| Pawlak Mechanical Systems, Inc.<br>5330 Progress Blvd.<br>Bethel, PA 15102<br>Attn: Martin & Jane Pawlak<br>(412) 835-5333 | 2 franchises owned and operated from 1 location. |
| Schneider Heating Corp.<br>172 Unionville Road<br>Butler, PA 16001<br>Attn: Michael P. Schneider and Gary W. Schneider<br>(724) 283-8545 | 2 franchises owned and operated from. 1 location. |
| Apple Comfort Services, Inc.<br>123 North Main Street<br>Dublin, PA 18917<br>Attn: Rodney Freed and Andrew McDermott<br>(215) 249-4650 | 1 franchise owned. |
| Bartman, Inc.<br>30 Monongahela Pike<br>Eighty Four, PA 15063<br>Attn: Tim Bartman<br>(724) 258-9125 | 2 franchises owned and operated from 1 location. |
| The Rohrer Company<br>516 Running Pump Road<br>Lancaster, PA 17603<br>Attn: Scott Rohrer and Matt Buckwalter<br>(717) 299-7300 | 5 franchises owned and operated from 1 location. |
| Big Daddy HVAC, LLC<br>Contractor, Inc.<br>5503 Emilie Road<br>Levittown, PA 19057<br>Attn: Kevin P. Glasson<br>(215) 945-7344 | 5 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| The Rohrer Company<br>1041 Andrew Drive<br>West Chester, PA 199280<br>Attn: Scott Rohrer and Matt Buckwalter<br>(610) 444-2088 | 2 franchises owned and operated from a location. |
| Stauffer Mechanical Inc.<br>2735 Terwood Rd, Suite 2 F<br>Willow Grove, PA 19090<br>Attn: Rebecca H. and Steven S. Stauffer<br>(215) 443-8882 | 1 franchise owned. |
| Calvert Mechanical Systems, Inc.<br>410 Meco Drive<br>Wilmington, DE 19804<br>Attn: Christopher Lenhard<br>(302) 998-0460 | 1 Pennsylvania franchise owned and operated from Delaware location. |
| **Rhode Island** | |
| Regan Residential Heating &<br>235 Georgia Ave.<br>Providence, RI 02905<br>Attn: Terry Regan and Matt Regan<br>(401) 461-8100 | 7 franchises owned and operated from 1 location. |
| **South Carolina** | |
| Hop-Tuit, LLC<br>3209 Old Buncombe Road<br>Greenville, SC 29609<br>Attn: Charles Crumpton<br>(864) 235-0998 | 1 franchise owned. |
| Air Temp Services, LLC<br>3209 Old Buncombe Road<br>Greenville, SC 29609<br>Attn: Charles Crumpton<br>(864)-303-1451 | 1 franchises owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| Spartanburg Home Services, LLC<br>3209 Old Buncombe Road<br>Greenville, SC 29609<br>Attn: Charles Crumpton and Ronald Flowers<br>(864)-303-1451 | 1 franchises owned. |
| Carolina Air, Heating & Cooling, LLC<br>1121 Reynolds Avenue<br>Greenwood, SC 29649<br>Attn: John & Dianne Collins<br>(864) 229-4989 | 1 franchise owned. |
| Richard S. Drew, Jr<br>677 Robert Grissom Parkway<br>Myrtle Beach, SC 29577<br>Attn: Richard S. Drew, Jr.<br>(843) 448-6867 | 8 franchises owned and operated from 1 location. |
| Dan King Plumbing, Heating & Air Conditioning<br>8916-1 Crump Road<br>Charlotte, NC 28273<br>Attn: Mike Fowler<br>(704) 814-7283 | 1 franchise owned and operated from a North Carolina location. |
| **South Dakota** | |
| High Tech Mechanical, Inc.<br>6801 Sturgis Lane, Suite 1<br>Black Hawk, SD 57718<br>Attn: Craig Waddington<br>(605) 341-0124 | 1 franchise owned. |
| PKJ, Inc.<br>100 W. Maple St,<br>Harrisburg, SD 57032<br>Attn: Kelly Cawthorne<br>(605) 743-2387 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| **Tennessee** | |
| Home Service Solutions, LLC<br>370 Robert S. Brown Drive<br>Clarksville, TN 37043<br>Attn: Mike Harris<br>(931) 905-2356 | 1 franchise owned. |
| Petrie Heating and Cooling, Inc.<br>649 Horace Lewis Road<br>Cookeville, TN 38506<br>Attn: Randal Petrie and Scott Peters<br>(931) 528-8888 | 1 franchises owned. |
| One Hour Heating and Air of<br>Middle Tennessee, LLC<br>11007 Elm Hill Pike<br>Nashville, TN 37210<br>Attn: Matt Mularkey & Mick McGauran<br>(615) 687-5110 | 5 franchises owned and operated from 1 location. |
| **Texas** | |
| Siegert Heating and Air Conditioning, Inc.<br>989 N Earl Rudder Fwy.<br>Bryan, TX 77802<br>Attn: Robert W. Siegert<br>(979) 219-0065 | 1 franchise owned. |
| Extreme Mechanical Services, Inc.<br>1911 Old Denton Road, Suite G<br>Carrollton, TX 75006<br>Attn: Lawrence M. Zemanek<br>(972) 200-1945 | 1 franchises owned. |
| Del Rio Western Electric, Inc.<br>903 East Ogden Street<br>Del Rio, TX 78840<br>Attn: Fidel Morales<br>(830) 774-7149 | 1 franchise owned. |

| Name of Franchise | Number of Franchises |
|---|---|
| Direct Energy US Home Services, Inc.<br>4455 W. Sam Houston Pkwy N<br>Houston, TX 77041<br>Attn: Aaron Childress<br>(281) 469-9999 | 2 company owned. |
| Jerry Don and Cathy J Nesmith<br>7302 82 Street<br>Lubbock, TX 79424<br>Attn: JD & Cathy Nesmith<br>(806) 548-0374 | 1 franchise owned. |
| Claire Service Now, Inc.<br>10716 State Hwy 191, Suite 5<br>Midland, TX 79707<br>Attn: Mandy Solis<br>(432) 570-5105 | 1 franchise owned. |
| Direct Energy US Home Services, Inc.<br>901 Austin Street<br>Portland, TX 78374<br>Attn. GM: Mark Wendland<br>(361)643-8075 | 1 company owned franchise. |
| Zubie Air, Inc.<br>9710 I 35 North<br>San Antonio, TX 78233<br>Attn: Evel Zubie<br>(210) 655-9448 | 4 franchises owned and operated from 1 location. |
| A/C LCEP, Inc.<br>260 North 17th Street<br>Las Cruces, NM 88005<br>Attn: Rocky Bacchus<br>(575) 650-1075 | 1 Texas franchise owned and operated from. New Mexico location. |
| Hufsey Mechanical, Inc.<br>1801 SE Parkway<br>Azle, TX 76020<br>Attn: Keith Hufsey<br>(817) 444-0090 | 5 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| Rockwall Heating and Air, Inc.<br>1551 E I-30<br>Suite 400<br>Rockwall, TX 75087<br>Attn: Nathan Dickinson<br>(469) 745-1166 | 4 franchises owned and operated from 1 location. |
| **Utah** | |
| Right Now Heating & Air Conditioning, Inc.<br>339 E. 3900 South, Suite 200<br>Salt Lake City, UT 84107<br>Attn: Lori Larsen<br>(801) 755-9244 | 1 franchise owned. |
| Right Now Heating & Air Conditioning, Inc.<br>3375 Water Wheel Court<br>South Jordan, UT 84095<br>Attn: Lori Larsen<br>(801) 446-0663 | 2 franchises owned and operated from 1 location. |
| **Virginia** | |
| Modern Mechanical, LLC<br>21730 Red Rum Drive, Ste. 182<br>Ashburn, VA 20147<br>Attn: Pete Danielson and Shawna Mitchell<br>(571) 291-3338 | 11 franchises owned and operated from 1 location |
| Star Servco, Inc.<br>13507 E. Boundary Rd. Suite E<br>Midlothian, VA 23112<br>Attn: Chris Hodges<br>(804) 744-6585 | 2 franchises owned and operated from 1 location. |
| Classic Air Care, Inc.<br>2680 Production Rd., Suite 102<br>Virginia Beach, VA 23454<br>Attn: Todd & Sue Kletz<br>(757) 490-2785 | 4 franchises owned and operated from 1 location. |

| Name of Franchise | Number of Franchises |
|---|---|
| **Washington** | |
| None | |
| **West Virginia** | |
| None | |
| **Wisconsin** | |
| Van's Heating & Air Conditioning<br>525 Butler Street<br>De Pere, WI 54115<br>Attn: Randy Van Den Elzen<br>(920) 347-4487 | 1 franchise owned. |
| **Wyoming** | |
| None | |

# EXHIBIT F

# FORMER FRANCHISEES

## FORMER FRANCHISEES

We have listed below the names of the franchisees and their last city and state and business telephone number (or if unknown, last known home telephone number), who:

1. had a franchise terminated, canceled, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the 2017 fiscal year:

Echo 3 Technologies, Inc. — 1 franchise.
1713 Waldorf Dr.
Corona, CA 92882
Attn: Ernie Garcia
(951) 737-4970

Wilkins Mechanical Services, Inc. — 2 franchises (Massachusetts).
7 Bellemore Drive, Unit 1
Bedford, NH 03110
Attn: Bobby Wilkins
(603) 647-7741

Iceberg Heating & Cooling — 1 franchise.
111 North Telegraph Road
Monroe, MI 48162
Attn: John Poniewozik
(734) 242-1900

Keith P. Dufren and Patton D. McNeese — 1 franchise.
811 Main Street, Ste. 16
Columbia, MS 39429
Attn: Patton McNeese and Keith Dufren
(601) 633-5202

Accent Home Services, LLC — 1 franchise.
7748 Troost Avenue
Kansas City, MO 64131
Attn: Bruce Forthofer
(816) 333-6789Wilkins Mechanical Services, Inc. — 6 franchises (New Hampshire).
7 Bellemore Drive, Unit 1
Bedford, NH 03110
Attn: Bobby Wilkins
(603) 647-7741

Ameriserve, Inc. — 1 franchise.
361 Filetown Road
Nazareth, PA 18064
Attn: Scott and Kathleen Durnin
(610) 258-9391

2. had a franchise not renewed during the 2017 fiscal year:

| | |
|---|---|
| Bigham Services, Inc.<br>1400 Petaluma Hill<br>Santa Rosa, CA 94404<br>Attn: Paul Bigham | 1 franchise. |
| Carpenter Development & Construction, LLC<br>17742 Somonauk<br>DeKalb, IL 60115<br>Attn: Mark Carpenter<br>(815) 756-6349 | 2 franchises. |
| MAC HVAC, Inc.<br>514 North Main Street<br>Hutchinson, KS 67501<br>Attn: Monte McConnaughy<br>(620) 669-9907 | 1 franchise. |
| Petrie Heating and Cooling, Inc.<br>649 Horace Lewis Road<br>Cookeville, TN 37043<br>Attn: Randal Petrie and Scott Peters<br>(931) 528-8888 | 1 franchise. |
| Extreme Mechanical Services, Inc.<br>1911 Old Denton Road, Suite G<br>Carrollton, TX 75006<br>Attn: Lawrence Zemanek<br>(972)200-1945 | 1 franchise. |
| Thermal Heating & Cooling<br>801 Prospect Street, Suite 1<br>Ellensburg, WA 98926<br>Attn: Paul Wyatt<br>(509) 962-8368 | 1 franchise. |

3. have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document:

None

4. voluntarily transferred a franchise during the 2017 fiscal year:

| | |
|---|---|
| JBKB, LLC<br>1911 W. Parkside Lane<br>Phoenix, AZ 85027<br>Attn: Mike Brewer<br>(623) 993-7314 | 10 franchises. |
| Three in One Enterprises, Inc.<br>2309 E Naylor Mill Road<br>Salisbury, MD 21804<br>Attn: Bryce Bryan, Nathan Sens,<br>Paul Sens and Roy Sens<br>(410) 639-0777 | 1 Delaware and 1 Maryland franchise |
| Accent Home Services, LLC<br>7748 Troost Avenue<br>Kansas City, MO 64131<br>Attn: Bruce Forthofer<br>(816) 333-6789 | 1 franchise. |

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

# EXHIBIT G

# FINANCIAL STATEMENTS

Financial Statements and Report of
Independent Certified Public Accountants

# One Hour Air Conditioning Franchising, L.L.C.

December 31, 2017 and 2016

# Table of contents


| | |
|---|---|
| Report of Independent Certified Public Accountants | 1-2 |
| Financial statements: | |
| Balance sheets | 3 |
| Statements of operations | 4 |
| Statements of changes in member's equity | 5 |
| Statements of cash flows | 6 |
| Notes to financial statements | 7-13 |

**Grant Thornton LLP**
700 Milam Street, Suite 300
Houston, TX 77002-2848

**T** 832.476.3600
**F** 713.655.8741
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Member
One Hour Air Conditioning Franchising, L.L.C.

We have audited the accompanying financial statements of **One Hour Air Conditioning Franchising, L.L.C.** (a Florida limited liability company), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in member'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 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 from material misstatement.

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

Grant Thornton

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 One Hour Air Conditioning Franchising, L.L.C. as of December 31, 2017 and 2016, 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.

GRANT THORNTON LLP

Houston, Texas
February 23, 2018

# Balance sheets

| December 31, | 2017 | 2016 |
|---|---|---|
| Assets | | |
| **Current assets:** | | |
| Cash | $ 485,347 | $ 544,650 |
| Restricted cash (Note 2) | 3,174,618 | 2,068,781 |
| Accounts receivable, net (Note 2) | 640,201 | 485,278 |
| Notes receivable, net, current portion (Note 2) | 165,182 | 90,759 |
| Deferred tax asset (Note 7) | 19,632 | - |
| Prepaid expenses and other current assets (Note 2) | 2,873,264 | 3,525,152 |
| Total current assets | 7,358,244 | 6,714,620 |
| Property and equipment, net (Note 3) | 3,387 | 20,603 |
| Other assets (Note 5) | 6,124,536 | 4,002,166 |
| Notes receivable, net, less current portion | 294,500 | 420,672 |
| Deferred tax asset (Note 7) | 6,321,328 | 9,654,280 |
| Total assets | $ 20,101,995 | $ 20,812,341 |
| Liabilities and Member's Equity | | |
| **Current liabilities:** | | |
| Accounts payable | $ 304,110 | $ - |
| Accrued expenses and other current liabilities (Note 4) | 794,985 | 605,081 |
| Deferred tax Liability (Note 7) | - | 46,281 |
| Ad co-op liability (Note 2) | 4,905,445 | 4,905,445 |
| Unearned revenue | 22,444 | 22,444 |
| Total current liabilities | 6,026,984 | 5,579,251 |
| **Commitments and contingencies (Note 5)** | | |
| **Member's equity:** | | |
| Member's contributions | 18,286,200 | 18,286,200 |
| (Accumulated deficit) retained earnings | (5,925,126) | 37,917,007 |
| Advances from (to) parent (Note 6) | 1,713,937 | (40,970,117) |
| Total member's equity | 14,075,011 | 15,233,090 |
| Total liabilities and member's equity | $ 20,101,995 | $ 20,812,341 |

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

# Statements of operations

| For the years ended December 31, | 2017 | 2016 |
|---|---|---|
| **Initial fee revenue** | $ 1,022,334 | $ 2,060,795 |
| **Royalty revenue** | 11,734,691 | 11,987,634 |
| Total revenue | 12,757,025 | 14,048,429 |
| **Cost of sales** | 258,371 | 441,204 |
| **Selling, general and administrative expenses (Note 6)** | 12,958,853 | 10,139,142 |
| **(Loss) Income from operations** | (460,199) | 3,468,083 |
| **Other income** | 16,386 | 822,935 |
| **Interest income** | 53,750 | 47,657 |
| **(Loss) Income before income taxes** | (390,063) | 4,338,675 |
| **Income tax expense (Note 7)** | 3,267,039 | 1,874,079 |
| **Net (loss) income** | $ (3,657,102) | $ 2,464,596 |

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

# Statements of changes in member's equity

| | Member's Contributions | (Accumulated Deficit) Retained Earnings | Advances from (to) Parent | Total Member's Equity |
|---|---|---|---|---|
| **Balance, December 31, 2015** | $ 18,286,200 | $ 35,452,411 | $ (39,912,203) | $ 13,826,408 |
| Change in advances to parent | - | - | (1,057,914) | (1,057,914) |
| Net income | - | 2,464,596 | - | 2,464,596 |
| **Balance, December 31, 2016** | 18,286,200 | 37,917,007 | (40,970,117) | 15,233,090 |
| Change in advances from parent | - | - | 2,499,023 | 2,499,023 |
| Capital distribution | | (40,185,031) | 40,185,031 | - |
| Net loss | - | (3,657,102) | - | (3,657,102) |
| **Balance, December 31, 2017** | $ 18,286,200 | $ (5,925,126) | $ 1,713,937 | $ 14,075,011 |

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

# Statements of cash flows

| For the years ended December 31, | 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net (loss) income | $ (3,657,102) | $ 2,464,596 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 17,216 | 34,654 |
| Provision for doubtful accounts and notes receivable | 490,851 | 394,836 |
| Deferred taxes | 3,267,039 | 1,874,078 |
| Amortization of prepaid franchise incentives | 977,921 | 495,348 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | (1,105,837) | (815,035) |
| Accounts receivable | (655,609) | 136,514 |
| Notes receivable | 61,584 | (290,297) |
| Prepaid expenses and other current assets | (326,034) | (1,276,093) |
| Other assets | (2,122,370) | (2,768,371) |
| Accounts payable | 304,110 | - |
| Accrued expenses and other current liabilities | 189,905 | 213,214 |
| Ad co-op liability | - | 800,000 |
| Unearned revenue | - | 22,444 |
| Net cash (used in) provided by operating activities | (2,558,326) | 1,285,888 |
| **Cash flows from financing activities:** | | |
| Change in advances to parent | 2,499,023 | (1,057,914) |
| Net cash provided by (used in) financing activities | 2,499,023 | (1,057,914) |
| **Net change in cash** | (59,303) | 227,974 |
| **Cash, beginning of year** | 544,650 | 316,676 |
| **Cash, end of year** | $ 485,347 | $ 544,650 |
| **Non-cash financing activities:** | | |
| Capital Distribution | $ 40,185,031 | $ - |

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

# Notes to financial statements

## Note 1 – Organization and Nature of Business

One Hour Air Conditioning Franchising, L.L.C. (the Company), a Florida limited liability company, was organized on February 20, 2003. The Company was established to develop nationally branded franchises for residential air conditioning and heating companies throughout the United States and Canada. The Company is wholly-owned by Clockwork, Inc. (Clockwork, Parent, or the Member). The Member is not liable for any debt, obligations or liabilities of the Company, whether arising in contract, tort or otherwise, or for the acts or omissions of any agent or employee of the Company.

Total U.S. franchise and company-owned locations as of December 31, 2017 and 2016 and openings and closings for the years then ended are as follows:

| | Number of Franchises |
|---|---|
| December 31, 2015 | 316 |
| New locations during 2016 | 54 |
| Closed locations during 2016 | (16) |
| December 31, 2016 | 354 |
| New locations during 2017 | 36 |
| Closed locations during 2017 | (24) |
| December 31, 2017 | 366 |

In addition to the U.S. locations above, the Company had five (5) locations operating in Canada as of December 31, 2015. During 2016, these franchise locations disengaged.

Clockwork, through Clockwork IP, LLC, owns certain intellectual property, including trademarks, operating manuals, and copyrights, which it has licensed to the Company under an implied agreement for use in franchising operations during the reporting periods.

Effective July 1, 2010, the assets of the Company's former parent, Clockwork Home Services, Inc. (CHSI) were acquired by a subsidiary (Clockwork, Inc.) of RSG Holding Corp. RSG Holding Corp. (RSG), is a company wholly-owned by Centrica, plc. The Company has elected to not apply the provisions of push down accounting, as such, the book values of assets and liabilities were not changed as a result of the acquisition. The transaction was effected as an asset purchase for income tax purposes. As such, the tax values of assets and liabilities have been adjusted to current values. Certain of these amounts differ from the book values and result in deferred tax assets or liabilities (see Note 7). In connection with the acquisition, RSG formed Clockwork, Inc. to acquire the assets of CHSI and certain of its wholly-owned subsidiaries. As a result, the Company's single member is now Clockwork, a C Corporation.

## Note 2 – Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements of the Company are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

### Cash and Cash Equivalents

Cash and Cash Equivalents include all liquid investments with a maturity of three months or less when purchased. See Note 6 for the cash management policy.

### Restricted Cash and Ad Co-Op Liability

Under the terms of the franchise agreements, the Company bills and collects a monthly co-op advertising fee from its franchisees. The amounts billed and collected are restricted to pay for costs of preparing and producing various advertising and marketing materials for the franchises. The ad co-op liability primarily represents funds borrowed from Clockwork, enabling the Company to purchase advertising in advance of collecting advertising fees from the franchisees. These borrowed funds do not accrue interest and are payable on demand. For each of the years ended December 31, 2017 and 2016, the co-op advertising fee was 3.0% of franchisee revenue.

### Accounts and Notes Receivable

Receivables are recorded at contractual amounts. Accounts receivable generally reflect amounts due for ongoing royalties. Accounts receivable balances also include any amounts due to the ad co-op. Notes receivable reflect loans for initial franchise fees. Notes mature between 2018 and 2023 and have interest rates ranging from 12% to 18%. Interest income on the notes is accrued as earned on outstanding balances. Recognition of interest income is suspended when the determination is made that collection of future income is not probable.

### Allowance for Doubtful Accounts and Notes

An allowance for doubtful accounts and notes is maintained for estimated losses resulting from the inability of franchisees to make required payments. When preparing these estimates, management considers a number of factors, including the aging of franchisees' accounts, past transactions with franchisees, creditworthiness of specific franchisees, historical trends, and other information. The Company typically does not require franchisees to provide collateral. Receivable reserve policies are reviewed periodically, reflecting current risks, trends, and changes in industry and economic conditions. The past due status of an account is determined based on stated payment terms. Upon determination that an account is uncollectible, the Company writes off the receivable balance against the allowance for doubtful accounts. The Company wrote off approximately $9,000 and $86,000 of accounts receivable for the years ended December 31, 2017 and 2016, respectively. The Company wrote off approximately $277,000 and $0 of notes receivable for the years ended December 31, 2017 and 2016, respectively. There were recoveries of accounts receivable of approximately $28,000 for the year ended December 31, 2016.

The allowance for accounts receivable was approximately $900,000 and $408,000, at December 31, 2017 and 2016, respectively.

At December 31, 2017, the allowance for notes receivable was approximately $257,000 of which approximately $84,000 and $173,000 is classified within current and long-term notes receivable, respectively. At December 31, 2016, the allowance for notes receivable was approximately $544,000 of which approximately $121,000 and $423,000 is classified within current and long-term notes receivable, respectively.

Although the Company believes the allowances are sufficient, if the financial condition of the franchisees were to unexpectedly deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized over the estimated economic lives of the assets using the straight-line method. Repair and maintenance costs are expensed as incurred.

### Long-Lived Assets

The Company periodically assesses the realizability of long-lived assets when triggering events occur. No impairment was recognized for the years ended December 31, 2017 and 2016.

### Revenue Recognition

Revenue consists of initial franchise fees and ongoing royalties. The initial franchise fees are a one-time, non-refundable fee and are recorded as deferred revenue when the potential customer enrolls to become a franchisee and recognized as revenue upon the completion of initial services provided to the franchisee as required by the franchise agreement. Ongoing royalties are based on a contractual percentage of sales for each franchisee and are recognized when earned.

### Other Income

Other income is comprised of receipts from legal settlements.

### Income Taxes

The Company is a single member limited liability company, a disregarded entity for income tax purposes. As a result, the taxable income, or loss, which may vary substantially from income or loss reported for financial reporting purposes, is included in the federal and state tax returns of the Parent. However, as the Parent is a C Corporation and files a consolidated return that includes the Company, the Company has recorded a provision for income taxes utilizing the Separate Return method, which reflects the tax expense or benefit based on what the Member's share would have been if the Member had filed a separate tax return. The financial statements reflect the impact of income taxes from the date of the acquisition of July 1, 2010 through December 31, 2017. As of December 31, 2017, the Company's open tax years for federal and state tax jurisdictions are from 2013 through 2016.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Increases or decreases to the unrecognized tax benefits could result from management's belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company had no provisions for uncertain tax positions nor for interest or penalties related to uncertain tax positions at December 31, 2017 or 2016.

### Advertising

The Company, on behalf of its franchisees, administers a cooperative advertising fund (the "Ad Fund") that receives contributions from its franchisees based upon a percentage of revenue as required by their franchise agreements. The Company acts as an agent in the administration of the Ad Fund, and the Company accordingly records the surplus or deficit of the funds on the balance sheets. The classification of the surplus or deficit as either current or long term is based on management's expectations of receipts and expenses for the next year. In addition to the Ad Fund it administers, the Company supervises the collection and distribution of local advertising funds (the "local marketing advertising"). The advertising contributions and corresponding expenses are not reflected in the accompanying statements of operations in accordance with ASC 952 – *Franchisors*. The Company collected approximately $10,928,000 and $10,546,000 and distributed approximately $9,867,000 and $10,912,000 for the years ended December 31, 2017 and 2016, respectively. Advertising costs related to the Ad Fund are charged to those funds as incurred.

The Company expenses other advertising costs as incurred. Non Ad Fund advertising expenses were approximately $66,000 and $138,000 for the years ended December 31, 2017 and 2016, respectively, and are included in selling, general and administrative expenses in the accompanying statements of operations.

The Ad Fund had an operating deficit of approximately $1,790,000 and $2,729,000 for the years ended December 31, 2017 and 2016, respectively, which is included in prepaid expenses and other current assets.

### Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation. The reclassification had no impact on total assets, liabilities, or net income (loss).

### Subsequent Events

The Company has evaluated subsequent events through February 23, 2018, which is the date the financial statements were available to be issued. Based on such evaluation, no events have occurred that in the opinion of management warrant disclosure in or adjustment to the financial statements.

## Note 3 – Property and Equipment

The estimated useful lives and cost basis of property and equipment at December 31, 2017 and 2016, are as follows:

| Asset Description | 2017 | 2016 | Estimated Useful Life |
|---|---|---|---|
| Computer equipment and software | $ 268,116 | $ 268,116 | 3 - 5 years |
| Furniture and fixtures | 2,333 | 2,333 | 7 years |
| | 270,449 | 270,449 | |
| Less: Accumulated depreciation | (267,062) | (249,846) | |
| Property and equipment, net | $ 3,387 | $ 20,603 | |

Depreciation expense was approximately $17,000 and $35,000 for the years ended December 31, 2017 and 2016, respectively.

## Note 4 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at December 31, 2017 and 2016 are as follows:

| Liabilities Description | 2017 | 2016 |
|---|---|---|
| Accrued wages and other current liabilities | $ 367,203 | $ 209,147 |
| Accrued bonuses and commissions | 427,783 | 395,934 |
| | $ 794,986 | $ 605,081 |

Since Clockwork controls the cash process of the Company (Note 6), these accruals will be paid by Clockwork.

## Note 5 – Commitments and Contingencies

The Company is party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the outcome of these actions at this time, management does not believe that the ultimate conclusion of these matters will have a material adverse effect on the Company's financial statements.

On occasion, the Company will enter into conversion incentive fee agreements offering cash incentives to induce the conversion of certain strategic territories into new franchisees. The Company will generally pay approximately 50% of the incentive upon execution of a 10-year franchise agreement, with the remaining incentive fee to be paid on the first and second anniversary of the agreement. The incentive fee is refundable to the Company pro-rata over the franchise period of ten years, if the franchisee defaults under certain conditions of the franchise agreement but is 100% refundable in the first year. Incentives paid during 2017 and 2016 were $3,243,000 and $4,215,000, respectively and are recorded as prepaid assets when paid and amortized over ten years. As of December 31, 2017, there was $1,083,000 and $6,125,000 in current and non-current prepaid expenses, respectively. As of December 31, 2016, there was approximately $796,000 and $4,002,000 in current and non-current prepaid expenses, respectively. Incentive amortization of approximately $978,000 and $495,000 for the year ended December 31, 2017 and 2016, respectively, is included as a reduction of royalty revenues on the accompanying statements of operations.

The aggregate amount of incentive payments to be made, if the franchises do not default, as of December 31, 2017, is as follows:

| For years ending December 31, | Amount |
|---|---|
| 2018 | $ 1,548,556 |
| 2019 | 523,625 |
| | $ 2,072,181 |

Future amortization of prepaid incentives is as follows (inclusive of amounts expected to be paid):

| For the years ending December 31, | Amount |
|---|---|
| 2018 | $ 1,083,318 |
| 2019 | 1,083,318 |
| 2020 | 1,083,318 |
| 2021 | 1,083,318 |
| 2022 | 1,083,318 |
| Thereafter | 3,863,448 |
| | $ 9,280,038 |

## Note 6 – Related Party Transactions

The operating agreement dictates that Clockwork and RSG act as the manager of the Company. As such, Clockwork and RSG charge the Company for services provided through a corporate allocation process. During 2015, RSG amended the process to expand the base of expenses included in the allocation process where additional services related to corporate strategy, risk management, compliance, planning and analysis activities, along with support functions were added to the corporate allocation amounts. These were incremental to the 2014 allocations that included accounting, legal, and other personnel services. During 2017 RSG amended the allocation calculation process from a revenue-based model to a gross margin-based model. The Company recorded expenses of approximately $7,117,000 and $2,596,000 for the years ended December 31, 2017 and 2016, respectively. Expenses directly identifiable to the Company are included in selling, general and administrative expenses in the accompanying statements of operations.

Clockwork has centralized its cash management function whereby all disbursements of the Company are processed and paid by Clockwork. Such disbursements totaled approximately $5,836,000 and $4,764,000 for the years ended December 31, 2017 and 2016, respectively.

In addition, the Company maintains a zero balance cash account with a bank funded by Clockwork, whereby the available cash receipts of the Company are swept nightly to Clockwork. The difference between the Company's receipts and the amounts charged by Clockwork, as well as the disbursements made by Clockwork on behalf of the Company is recorded as advances to parent, as a reduction of member's equity on the accompanying balance sheets as of December 31, 2017 and 2016. During 2017, Clockwork authorized and recorded a distribution of earnings totaling approximately $40,185,000 from the Company to its Parent. The distribution has no impact to net equity, as the Due to Parent account is recorded within Member's Equity. The Company intends to continue to sweep excess cash flows to the Parent for the foreseeable future.

An entity under common control charges the Company for certain training provided on its behalf to the franchisees based on the number of individuals who attended the training. The Company recorded expenses for these services of approximately $39,000 and $317,000 for the years ended December 31, 2017 and 2016, respectively, which are included in selling, general and administrative expenses in the accompanying statements of operations.

Clockwork has certain subsidiaries which are considered franchisees of the Company. If the entity was a franchisee prior to being acquired by Clockwork, ongoing royalties were waived for these entities as of the date of acquisition. If the entity was not a franchisee prior to being acquired by Clockwork, initial fees and ongoing royalties were waived from inception of the entity becoming a franchisee, which is generally the date of acquisition. Total fees waived during the years ended December 31, 2017 and 2016, were approximately $4,225,000 and $3,997,000, respectively.

## Note 7 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| **Current:** | | |
| Federal | $ - | $ - |
| State | - | - |
| | - | - |
| **Deferred:** | | |
| Federal | 2,959,824 | 1,687,247 |
| State | 307,215 | 186,831 |
| | 3,267,039 | 1,874,078 |
| Income tax expense | $ 3,267,039 | $ 1,874,078 |

Deferred income taxes as of December 31, 2017 and 2016 consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| **Deferred tax assets:** | | |
| Allowance for doubtful accounts | $ 228,421 | $ 158,696 |
| Tradename | 95,244 | 165,340 |
| Franchise rights | 1,472,410 | 2,662,769 |
| Goodwill | 4,165,214 | 7,230,609 |
| Accrued bonuses | 108,081 | 139,638 |
| Net operating loss | 2,185,376 | 1,317,149 |
| | 8,254,746 | 11,674,201 |
| **Deferred tax liabilities:** | | |
| Notes receivable, net | (116,667) | (198,819) |
| Prepaid expenses and other assets | (1,797,119) | (1,867,383) |
| | (1,913,786) | (2,066,202) |
| Net deferred tax asset | $ 6,340,960 | $ 9,607,999 |

The Company's effective income tax rate differs from the amount computed by applying the federal statutory rate to income before income taxes primarily because of state income taxes.

For income tax purposes, the Company has recorded the impact of the acquisition, which resides on the tax records of the Company. However, certain of these amounts do not impact the book basis of the Company, including the trade name, franchise rights, and goodwill. These tax assets are amortizable and as such, their amortization will reduce the deferred tax asset over the estimated tax depreciable life of each respective asset.

The Company reviews its deferred tax assets on a regular basis to evaluate their recoverability based upon expected future reversals of deferred tax liabilities, projections of future taxable income, and tax planning strategies that the Company might employ to utilize such assets, including net operating loss carryforwards, if any. Based on the positive and negative evidence for recoverability, the Company establishes a valuation allowance against the net deferred assets of a taxing jurisdiction in which the Company operates unless it is "more likely than not" that the Company will recover such assets through the above means. Based on the Company's evaluation, the Company has not recorded a valuation allowance, as it believes it is more likely than not that the deferred tax assets will be realized.

As a member of a group that files a consolidated tax return, the Company has not recorded any amounts as of December 31, 2017 and 2016, for income taxes payable for its share of the taxes due as a result of its net operating loss position.

The effects of recognizing tax benefits associated with the deferred tax asset would result in a reduction of a current payable to the Parent. Based upon the Parent's cash management policies, such amounts when realized are expected to result in changes to the advances to parent account, as reflected in equity.

On December 22, 2017, the United States enacted tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "Act"), resulting in significant modifications to existing law. The Company has completed the accounting for the effects of the Act during 2017. The Company's financial statements for the year ended December 31, 2017, reflect certain effects of the Act which includes a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of the changes to tax laws and tax rates under the Act, the Company incurred incremental income tax expense of approximately $3,370,000 during the year ended December 31, 2017, which consisted primarily of the remeasurement of deferred tax assets and liabilities from 35% to 21%.

Financial Statements and Report of
Independent Certified Public Accountants

# One Hour Air Conditioning Franchising, LLC

December 31, 2016 and 2015

# Table of contents


Report of Independent Certified Public Accountants 1-2

Financial statements:

- Balance sheets 3
- Statements of income 4
- Statements of member's equity 5
- Statements of cash flows 6

Notes to financial statements 7-14

Grant Thornton LLP
101 E Kennedy Boulevard, Suite 3850
Tampa, FL 33602-5152

T 813.229.7201
F 813.223.3015
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Member
One Hour Air Conditioning Franchising, LLC

We have audited the accompanying financial statements of **One Hour Air Conditioning Franchising, LLC** (a Florida limited liability company), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, member'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 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Hour Air Conditioning Franchising, LLC as of December 31, 2016 and 2015, 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.

GRANT THORNTON LLP

Tampa, Florida
February 23, 2017

# Balance sheets

| December 31, | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash | $ 544,650 | $ 316,676 |
| Restricted cash (Note 2) | 2,068,781 | 1,253,746 |
| Accounts receivable, net (Note 2) | 485,278 | 901,237 |
| Notes receivable, net, current portion (Note 2) | 90,759 | 104,246 |
| Deferred tax asset (Note 8) | - | 36,778 |
| Prepaid expenses and other current assets (Note 2) | 3,525,152 | 2,744,407 |
| Total current assets | 6,714,620 | 5,357,090 |
| Property and equipment, net (Note 3) | 20,603 | 55,257 |
| Other assets (Note 6) | 4,002,166 | 1,233,795 |
| Notes receivable, net, less current portion | 420,672 | 232,279 |
| Deferred tax asset (Note 8) | 9,654,280 | 11,445,299 |
| Total assets | $ 20,812,341 | $ 18,323,720 |
| **Liabilities and Member's Equity** | | |
| **Current liabilities:** | | |
| Accrued expenses and other current liabilities (Note 5) | $ 605,081 | $ 391,867 |
| Deferred Tax Liability | 46,281 | - |
| Ad co-op liability (Note 2) | 4,905,445 | 4,105,445 |
| Unearned Revenue | 22,444 | - |
| Total current liabilities | 5,579,251 | 4,497,312 |
| **Commitments and contingencies (Note 6)** | | |
| **Member's equity:** | | |
| Member's contributions | 18,286,200 | 18,286,200 |
| Retained earnings | 37,917,007 | 35,452,411 |
| Advances to parent (Note 7) | (40,970,117) | (39,912,203) |
| Total member's equity | 15,233,090 | 13,826,408 |
| Total liabilities and member's equity | $ 20,812,341 | $ 18,323,720 |

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

# Statements of income

| For the years ended December 31, | 2016 | 2015 |
|---|---|---|
| **Initial fee revenue** | $ 1,565,447 | $ 927,790 |
| **Royalty revenue** | 12,482,982 | 11,487,812 |
| Total revenue | 14,048,429 | 12,415,602 |
| **Cost of sales** | 441,204 | 413,101 |
| **Selling, general and administrative expenses (Note 7)** | 10,139,142 | 9,693,338 |
| **Income from operations** | 3,468,083 | 2,309,163 |
| **Other income** | 822,935 | 503,250 |
| **Interest income** | 47,657 | 71,948 |
| **Income before income taxes** | 4,338,675 | 2,884,361 |
| **Income tax expense (Note 8)** | 1,874,079 | 1,180,267 |
| **Net income** | $ 2,464,596 | $ 1,704,094 |

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

# Statements of member's equity

| | Member's Contributions | Retained Earnings | Advances to Parent | Total Member's Equity |
|---|---|---|---|---|
| **Balance, December 31, 2014** | $ 18,286,200 | $ 33,748,317 | $ (38,479,313) | $ 13,555,204 |
| Change in advances to parent | - | - | (1,432,890) | (1,432,890) |
| Net income | - | 1,704,094 | - | 1,704,094 |
| **Balance, December 31, 2015** | 18,286,200 | 35,452,411 | (39,912,203) | 13,826,408 |
| Change in advances to parent | - | - | (1,057,914) | (1,057,914) |
| Net income | - | 2,464,596 | - | 2,464,596 |
| **Balance, December 31, 2016** | $ 18,286,200 | $ 37,917,007 | $ (40,970,117) | $ 15,233,090 |

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

# Statements of cash flows

| For the years ended December 31, | 2016 | 2015 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 2,464,596 | $ 1,704,094 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 34,654 | 35,111 |
| Provision for doubtful accounts and notes receivable | 394,836 | 262,215 |
| Deferred taxes | 1,874,078 | 1,180,267 |
| Amortization of prepaid franchise incentives | 495,348 | 129,211 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | (815,035) | (1,109,237) |
| Accounts receivable | 136,514 | (510,553) |
| Notes receivable | (290,297) | (209,639) |
| Prepaid expenses and other current assets | (1,276,093) | (2,242,189) |
| Other assets | (2,768,371) | (1,233,795) |
| Accounts payable | - | (262,484) |
| Accrued expenses and other current liabilities | 213,214 | 4,109 |
| Ad co-op liability | 800,000 | 3,625,000 |
| Unearned Revenue | 22,444 | - |
| Net cash provided by operating activities | 1,285,888 | 1,372,110 |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | - | (3,820) |
| Net cash used in investing activities | - | (3,820) |
| **Cash flows from financing activities:** | | |
| Change in advances to parent | (1,057,914) | (1,432,890) |
| Net cash used in financing activities | (1,057,914) | (1,432,890) |
| **Net change in cash** | 227,974 | (64,600) |
| **Cash, beginning of year** | 316,676 | 381,276 |
| **Cash, end of year** | $ 544,650 | $ 316,676 |

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

# Notes to financial statements

### Note 1 – Organization and Nature of Business

One Hour Air Conditioning Franchising, LLC (the Company), a Florida limited liability company, was organized on February 20, 2003. The Company was established to develop nationally branded franchises for residential air conditioning and heating companies throughout the United States and Canada. The Company is wholly-owned by Clockwork, Inc. (Clockwork, Parent, or the Member). The Member is not liable for any debt, obligations or liabilities of the Company, whether arising in contract, tort or otherwise, or for the acts or omissions of any agent or employee of the Company.

Total U.S. franchise and company owned locations as of December 31, 2016 and 2015 and openings and closings for the years then ended are as follows:

| | Number of Franchises |
|---|---|
| December 31, 2014 | 302 |
| New locations during 2015 | 33 |
| Closed locations during 2015 | (19) |
| December 31, 2015 | 316 |
| New locations during 2016 | 54 |
| Closed locations during 2016 | (16) |
| December 31, 2016 | 354 |

In addition to the U.S. locations above, the Company had five (5) locations operating in Canada as of December 31, 2015. During 2016, these franchise locations disengaged.

Clockwork, through Clockwork IP, LLC, owns certain intellectual property, including trademarks, operating manuals, and copyrights, which it has licensed to the Company under an implied agreement for use in franchising operations during the reporting periods.

Effective July 1, 2010, the assets of the Company's former parent, Clockwork Home Services, Inc. (CHSI) were acquired by a subsidiary (Clockwork, Inc.) of RSG Holding Corp. RSG Holding Corp. (RSG), is a company wholly-owned by Centrica, plc. The Company has elected to not apply the provisions of push down accounting, as such, the book values of assets and liabilities were not changed as a result of the acquisition. The transaction was effected as an asset purchase for income tax purposes. As such, the tax values of assets and liabilities have been adjusted to current values. Certain of these amounts differ from the book values and result in deferred tax assets or liabilities (see Note 8). In connection with the acquisition, RSG formed Clockwork, Inc. to acquire the assets of CHSI and certain of its wholly-owned subsidiaries. As a result, the Company's single member is now Clockwork, a C Corporation.

## Note 2 – Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements of the Company are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

### Cash and Cash Equivalents

Cash and Cash Equivalents include all liquid investments with a maturity of three months or less when purchased. See Note 7 for the cash management policy.

### Restricted Cash and Ad Co-Op Liability

Under the terms of the franchise agreements, the Company bills and collects a monthly co-op advertising fee from its franchisees. The amounts billed and collected are restricted to pay for costs of preparing and producing various advertising and marketing materials for the franchises. The ad co-op liability primarily represents funds borrowed from Clockwork, enabling the Company to purchase advertising in advance of collecting advertising fees from the franchisees. These borrowed funds do not accrue interest and are payable on demand. For the years ended December 31, 2016 and 2015, the co-op advertising fee was 3.0% and 2.0% of franchisee revenue, respectively.

### Accounts and Notes Receivable

Receivables are recorded at contractual amounts. Accounts receivable generally reflect amounts due for ongoing royalties. Accounts receivable balances also include any amounts due to the ad co-op. Notes receivable reflect loans for initial franchise fees. Notes mature between 2017 and 2019 and have interest rates ranging from 12% to 18%. Interest income on the notes is accrued as earned on outstanding balances. Recognition of interest income is suspended when the determination is made that collection of future income is not probable.

### Allowance for Doubtful Accounts and Notes

An allowance for doubtful accounts and notes is maintained for estimated losses resulting from the inability of franchisees to make required payments. When preparing these estimates, management considers a number of factors, including the aging of franchisees' accounts, past transactions with franchisees, creditworthiness of specific franchisees, historical trends, and other information. The Company typically does not require franchisees to provide collateral. Receivable reserve policies are reviewed periodically, reflecting current risks, trends, and changes in industry and economic conditions. The past due status of an account is determined based on stated payment terms. Upon determination that an account is uncollectible, the Company writes off the receivable balance against the allowance for doubtful accounts. The Company wrote off approximately $86,000 and $190,000 of accounts receivable for the years ended December 31, 2016 and 2015, respectively. The Company wrote off approximately $0 and $252,000 of notes receivable for the years ended December 31, 2016 and 2015, respectively. There were recoveries of accounts receivable of approximately $37,000 and notes receivables of approximately $1,000 for the year ended December 31, 2015.

The allowance for accounts receivable was approximately $408,000 and $215,000, at December 31, 2016 and 2015, respectively.

At December 31, 2016, the allowance for notes receivable was approximately $544,000 of which approximately $121,000 and $423,000 is classified within current and long-term notes receivable, respectively. At December 31, 2015, the allowance for notes receivable was approximately $428,000 of which approximately $142,000 and $286,000 is classified within current and long-term notes receivable, respectively.

Although the Company believes the allowances are sufficient, if the financial condition of the franchisees were to unexpectedly deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is recognized over the estimated economic lives of the assets using the straight-line method. Repair and maintenance costs are expensed as incurred.

### Intangible Asset

The identifiable intangible asset consists of software and is amortized over its estimated useful life using the straight-line method. The software became fully amortized during 2014.

### Long-Lived Assets

The Company periodically assesses the realizability of long-lived assets when triggering events occur. No impairment was recognized for the years ended December 31, 2016 and 2015.

### Revenue Recognition

Revenue consists of initial franchise fees and ongoing royalties. The initial franchise fees are a one-time, non-refundable fee and are recorded as deferred revenue when the potential customer enrolls to become a franchisee and recognized as revenue upon the completion of initial services provided to the franchisee as required by the franchise agreement. Ongoing royalties are based on a contractual percentage of sales for each franchisee and are recognized when earned.

### Other Income

Other income is comprised of receipts from legal settlements.

### Income Taxes

The Company is a single member limited liability company, a disregarded entity for income tax purposes. As a result, the taxable income, or loss, which may vary substantially from income or loss reported for financial reporting purposes, is included in the federal and state tax returns of the Parent. However, as the Parent is a C Corporation and files a consolidated return that includes the Company, the Company has recorded a provision for income taxes utilizing the Separate Return method, which reflects the tax expense or benefit based on what the Member's share would have been if the Member had filed a separate tax return. The financial statements reflect the impact of income taxes from the date of the acquisition of July 1, 2010 through December 31, 2015. As of December 31, 2015, the Company's open tax years for federal and state tax jurisdictions are from 2013 through 2016.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Increases or decreases to the unrecognized tax benefits could result from management's belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company had no provisions for uncertain tax positions nor for interest or penalties related to uncertain tax positions at December 31, 2016 or 2015.

### Advertising

The Company, on behalf of its franchisees, administers a cooperative advertising fund (the "Ad Fund") that receives contributions from its franchisees based upon a percentage of revenue as required by their franchise agreements. The Company acts as an agent in the administration of the Ad Fund, and the Company accordingly records the surplus or deficit of the funds on the balance sheets. The classification of the surplus or deficit as either current or long term is based on management's expectations of receipts and expenses for the next year. In addition to the Ad Fund it administers, the Company supervises the collection and distribution of local advertising funds (the "local marketing advertising"). The advertising contributions and corresponding expenses are not reflected in the accompanying statements of income in accordance with ASC 952 – *Franchisors*. The Company collected approximately $10,546,000 and $7,394,000 and distributed approximately $10,912,000 and $9,290,000 for the years ended December 31, 2016 and 2015, respectively. Advertising costs related to the Ad Fund are charged to those funds as incurred.

The Company expenses other advertising costs as incurred. Non Ad Fund advertising expenses were approximately $138,000 and $257,000 for the years ended December 31, 2016 and 2015, respectively, and are included in selling, general and administrative expenses in the accompanying statements of income.

The Ad Fund had an operating deficit of approximately $2,729,000 and $2,484,000 for the years ended December 31, 2016 and 2015, respectively, which is included in prepaid expenses and other current assets.

### Subsequent Events

The Company has evaluated subsequent events through February 23, 2017, which is the date the financial statements were available to be issued and identified no events, other than those disclosed below (see Note 6), that require consideration for adjustments to, or disclosure in, the financial statements.

## Note 3 – Property and Equipment

The estimated useful lives and cost basis of property and equipment at December 31, 2016 and 2015, are as follows:

| Asset Description | 2016 | 2015 | Estimated Useful Life |
|---|---|---|---|
| Computer equipment and software | $ 268,116 | $ 268,116 | 3 - 5 years |
| Furniture and fixtures | 2,333 | 2,333 | 7 years |
| | 270,449 | 270,449 | |
| Less: Accumulated depreciation | (249,846) | (215,192) | |
| Property and equipment, net | $ 20,603 | $ 55,257 | |

Depreciation expense was approximately $35,000 and $35,000 for the years ended December 31, 2016 and 2015, respectively.

## Note 4 – Intangible Asset

The gross carrying amount of the intangible and accumulated amortization at December 31, 2016 and 2015 are as follows:

| Asset Description | 2016 | 2015 | Estimated Useful Life |
|---|---|---|---|
| Software | $ 276,024 | $ 276,024 | 5 years |
| Less: Accumulated amortization | (276,024) | (276,024) | |
| Intangible asset, net | $ - | $ - | |

## Note 5 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at December 31, 2016 and 2015 are as follows:

| Liabilities Description | 2016 | 2015 |
|---|---|---|
| Accrued wages and other current liabilities | $ 209,147 | $ 77,677 |
| Accrued bonuses and commissions | 395,934 | 314,190 |
| | $ 605,081 | $ 391,867 |

Clockwork acts as the manager of the Company and pays for the accrued charges. Since Clockwork controls the cash process of the Company (Note 7), these accruals will be paid by Clockwork.

## Note 6 – Commitments and Contingencies

The Company is party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the outcome of these actions at this time, management does not believe that the ultimate conclusion of these matters will have a material adverse effect on the Company's financial statements.

During 2016 and 2015, the Company entered into conversion incentive fee agreements offering cash incentives to induce the conversion of certain strategic territories into new franchisees. The Company will pay approximately 50% of the incentive upon execution of a 10-year franchise agreement, with the remaining incentive fee to be paid on the first and second anniversary of the agreement. The incentive fee is refundable to the Company pro-rata over the franchise period of ten years, if the franchisee defaults under certain conditions of the franchise agreement but is 100% refundable in the first year. Incentives paid during 2016 and 2015 were $4,215,000 and $1,622,000, respectively and are recorded as prepaid assets when paid and amortized over ten years. As of December 31, 2016, there was approximately $796,000 and $4,002,000 in current and non-current prepaid expenses, respectively. As of December 31, 2015, there was $259,000 and $1,234,000 in current and non-current prepaid expenses, respectively. Incentive amortization of approximately $495,000 and $129,000 for the year ended December 31, 2016 and 2015, respectively, is included as a reduction of royalty revenues on the accompanying statements of income.

The aggregate amount of incentive payments to be made, if the franchises do not default, as of December 31, 2016, is as follows:

| For years ending December 31, | Amount |
|---|---|
| 2017 | $ 1,509,744 |
| 2018 | 1,024,931 |
| | $ 2,534,675 |

Future amortization of prepaid incentives is as follows:

| For the years ending December 31, | Amount |
|---|---|
| 2017 | $ 795,705 |
| 2018 | 795,705 |
| 2019 | 795,705 |
| 2020 | 795,705 |
| 2021 | 795,705 |
| Thereafter | 3,354,390 |
| | $ 7,332,915 |

## Note 7 – Related Party Transactions

The operating agreement dictates that Clockwork and RSG act as the manager of the Company. As such, Clockwork and RSG charge the Company for services provided through a corporate allocation process. During 2015, RSG amended the process to expand the base of expenses included in the allocation process where additional services related to corporate strategy, risk management, compliance, planning and analysis activities, along with support functions were added to the corporate allocation amounts. These were incremental to the 2014 allocations that included accounting, legal, and other personnel services. The Company recorded expenses of approximately $4,071,000 and $5,204,000 for the years ended December 31, 2016 and 2015, respectively. Expenses directly identifiable to the Company are included in selling, general and administrative expenses in the accompanying statements of income.

Clockwork has centralized its cash management function whereby all disbursements of the Company are processed and paid by Clockwork. Such disbursements totaled approximately $4,764,000 and $3,884,000 for the years ended December 31, 2016 and 2015, respectively.

In addition, the Company maintains a zero balance cash account with a bank funded by Clockwork, whereby the available cash receipts of the Company are swept nightly to Clockwork. The difference between the Company's receipts and the amounts charged by Clockwork, as well as the disbursements made by Clockwork on behalf of the Company is recorded as advances to parent, as a reduction of member's equity on the accompanying balance sheets as of December 31, 2016 and 2015. The Company intends to continue to sweep excess cash flows to the Parent, which will result in an increase to the advances to parent balance.

An entity under common control charges the Company for certain training provided on its behalf to the franchisees based on the number of individuals who attended the training. The Company recorded expenses for these services of approximately $317,000 and $302,000 for the years ended December 31, 2016 and 2015, respectively, which are included in selling, general and administrative expenses in the accompanying statements of income.

Clockwork has certain subsidiaries which are considered franchisees of the Company. If the entity was a franchisee prior to being acquired by Clockwork, ongoing royalties were waived for these entities as of the date of acquisition. If the entity was not a franchisee prior to being acquired by Clockwork, initial fees and ongoing royalties were waived from inception of the entity becoming a franchisee, which is generally the date of acquisition. Total fees waived during the years ended December 31, 2016 and 2015, were approximately $3,997,000 and $3,736,000, respectively.

## Note 8 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| **Current:** | | |
| Federal | $ - | $ - |
| State | - | - |
| | - | - |
| **Deferred:** | | |
| Federal | 1,687,247 | 1,045,343 |
| State | 186,831 | 134,924 |
| | 1,874,078 | 1,180,267 |
| Income tax expense | $ 1,874,078 | $ 1,180,267 |

Deferred income taxes as of December 31, 2016 and 2015 consisted of the following:

| | 2016 | 2015 |
|---|---|---|
| **Deferred tax assets:** | | |
| Allowance for doubtful accounts | $ 158,696 | $ 85,142 |
| Tradename | 165,340 | 187,846 |
| Franchise rights | 2,662,769 | 2,994,366 |
| Goodwill | 7,230,609 | 8,214,810 |
| Accrued bonuses | 139,638 | 105,155 |
| Net operating loss | 1,317,149 | 627,892 |
| | 11,674,201 | 12,215,211 |
| **Deferred tax liabilities:** | | |
| Notes receivable, net | (198,819) | (138,522) |
| Prepaid expenses and other assets | (1,865,177) | (590,482) |
| Fixed and intangible assets | (2,206) | (4,130) |
| | (2,066,202) | (733,134) |
| Net deferred tax asset | $ 9,607,999 | $ 11,482,077 |

The Company's effective income tax rate differs from the amount computed by applying the federal statutory rate to income before income taxes primarily because of state income taxes.

For income tax purposes, the Company has recorded the impact of the acquisition, which resides on the tax records of the Company. However, certain of these amounts do not impact the book basis of the Company, including the trade name, franchise rights, and goodwill. These tax assets are amortizable and as such, their amortization will reduce the deferred tax asset over the estimated tax depreciable life of each respective asset. Net operating losses expire twenty years after they are formed.

The Company reviews its deferred tax assets on a regular basis to evaluate their recoverability based upon expected future reversals of deferred tax liabilities, projections of future taxable income, and tax planning strategies that the Company might employ to utilize such assets, including net operating loss carryforwards, if any. Based on the positive and negative evidence for recoverability, the Company establishes a valuation allowance against the net deferred assets of a taxing jurisdiction in which the Company operates unless it is "more likely than not" that the Company will recover such assets through the above means. Based on the Company's evaluation, the Company has not recorded a valuation allowance, as it believes it is more likely than not that the deferred tax assets will be realized.

As a member of a group that files a consolidated tax return, the Company has not recorded any amounts as of December 31, 2016 and 2015, for income taxes payable for its share of the taxes due as a result of its net operating loss position.

The effects of recognizing tax benefits associated with the deferred tax asset would result in a reduction of a current payable to the Parent. Based upon the Parent's cash management policies, such amounts when realized are expected to result in changes to the advances to parent account, as reflected in equity.

# EXHIBIT H

# FRANCHISE AGREEMENT

**FRANCHISE AGREEMENT**
**for operation of a**
**ONE HOUR AIR CONDITIONING & HEATING**
**FRANCHISED BUSINESS**
**or a**
**ONE HOUR HEATING & AIR CONDITIONING**
**FRANCHISED BUSINESS**

Franchisee:_____

Territory Name:_____

Effective Date:_____

## Table of Contents


| Article | | Page |
|---|---|---|
| Article 1. | Nature and Scope of Agreement | 1 |
| Article 2. | Representations and Owner's Guaranty | 2 |
| Article 3. | Scope of License | 3 |
| Article 4. | Term and Renewal | 6 |
| Article 5. | Location and Business Site | 7 |
| Article 6. | Franchisor's Responsibilities | 8 |
| Article 7. | Franchisee's Responsibilities | 11 |
| Article 8. | Fees | 15 |
| Article 9. | Records, Reports, Inspections and Inquiries | 17 |
| Article 10. | Advertising/Marketing Fund | 20 |
| Article 11. | Licensed Marks | 25 |
| Article 12. | Rights to the System | 27 |
| Article 13. | Operations Manual and Confidentiality | 28 |
| Article 14. | Non-Competition | 29 |
| Article 15. | Transfer | 31 |
| Article 16. | Termination and Expiration | 35 |
| Article 17. | Relationship and Indemnification | 39 |
| Article 18. | Dispute Resolution | 41 |
| Article 19. | General | 43 |
| Exhibit A | Business Terms | |
| Exhibit B | Owner's Guaranty | |
| Exhibit C | Owners of Franchisee | |

# FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, having an effective date of _____ (this "**Agreement**"), is made by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**One Hour**" or "**Franchisor**"), located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046, and _____, a _____ _____ ("**Franchisee**"), located at _____, who in consideration of the promises stated below agree as follows:

## Article 1. **Nature and Scope of Agreement**

1.1 ***The Franchisor***. Franchisor has developed a distinctive business format and system and related standards, specifications and procedures that Franchisor has for operating a Franchised Business (defined below), including, but not limited to, the Operations Manual and System Standards (defined below) (the "**System**") that is designed to provide residential air conditioning and heating services, including indoor air quality services, maintenance, repairs and equipment replacement, and other related services designated by Franchisor under the service marks ONE HOUR AIR CONDITIONING & HEATING® and ONE HOUR HEATING & AIR CONDITIONING® and associated marks, logos and designs that Franchisor now uses or may use as a component of the System (the "**Licensed Marks**"), and offers franchises to operate either a ONE HOUR AIR CONDITIONING & HEATING or a ONE HOUR HEATING & AIR CONDITIONING residential air conditioning and heating services businesses (each, a "**Franchised Business**").

1.2 ***The Franchisee***. Franchisee acknowledges that it has independently investigated the business risks involved and other matters as Franchisee deems important, including current and potential market conditions and competitive factors and risks, has had the opportunity to read Franchisor's Franchise Disclosure Document (the "**Franchise Disclosure Document**") provided to Franchisee in connection with the offer to Franchisee of the Franchised Business to be operated pursuant to this Agreement, and has not relied on any representations not stated in this Agreement or in the Franchise Disclosure Document. Aware of the relevant facts, Franchisee desires to enter into this Agreement to obtain a license to use the System and the Licensed Marks to operate a Franchised Business within the geographic area stated on **Exhibit A** to this Agreement (the "**Territory**"). The Territory shall be determined by reference to the geographic areas specified in **Exhibit A** as of the date of this Agreement. Such geographic area may be defined by reference to zip codes, or another method as specified by Franchisor. For Territory defined by reference to zip codes, subsequent remapping changes by the U.S. Post Office shall not operate to expand the scope of the Territory. The territories granted to One Hour franchisees in the franchise system may differ in size as compared to the Territory.

1.3 ***The System***. The System is used by residential air conditioning and heating service and repair businesses that operate under the Licensed Marks. The System presently includes, but is not limited to: the Licensed Marks; advertising, publicity and other marketing programs; copyrighted material; training programs and training materials; and other requirements that are stated or referred to in this Agreement and in Franchisor's Operations Manual (the "**Operations**

**Manual**"), or that Franchisor, periodically, may otherwise state in writing and designate as part of the standards for the System ("**System Standards**"). Franchisor, in its sole and absolute discretion, may change or modify the System, including System Standards, and Franchisee agrees to comply with the System and System Standards as they may exist periodically (including all required operational policies, procedures, programs and plans stated in the Operations Manual or otherwise stated in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

Franchisee acknowledges that because uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right to materially vary its standards or franchise agreement terms for any Franchised Business, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which Franchisor considers important to the successful operation of the Franchised Business. Franchisee will have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Franchisee.

## Article 2. **Representations and Owner's Guaranty**

2.1 ***Representations and Warranties***. Franchisee hereby represents and warrants to Franchisor as follows:

A. Franchisee is acquiring this franchise for Franchisee's own account for the purpose of operating a Franchised Business, and not for the purpose of resale or redistribution or other speculative matter;

B. All information provided to Franchisor in Franchisee's application and other documents to induce Franchisor to enter into this Agreement was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in this information;

C. Franchisee's execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment made by Franchisee;

D. If Franchisee is a business entity, Franchisee is duly organized and validly existing, is qualified to do business in each state where Franchisee is or shall conduct business, and is duly authorized to sign and deliver this Agreement and perform Franchisee's obligations under this Agreement; and

E. This Agreement represents a valid, binding obligation of Franchisee and each of Franchisee's owners, jointly and severally (each, an "**Owner**" as further defined in **Section 2.2** of this Agreement).

2.2 ***Owners and Owner's Guaranty***. Franchisor requires individuals (as well as corporations, limited liability companies or other entities) who are Owners of Franchisee to execute an owner's guaranty, the form of which is attached to this Agreement as **Exhibit B** (the "**Owner's Guaranty**"), in favor of Franchisor. Accordingly, if Franchisee is a business entity, each Owner that is an individual shall sign an Owner's Guaranty. If Franchisee is a business entity,

and if any Owner of Franchisee is also a business entity (as opposed to an individual), all individuals who are owners of such business entity and therefore have indirect ownership of Franchisee shall execute an Owner's Guaranty and each such individual shall be considered an "Owner" for purposes of this Agreement. Franchisee shall deliver the signed Owner's Guaranty for each business entity and individual required by this Agreement to execute an Owner's Guaranty to Franchisor concurrently with execution of this Agreement, or if the ownership interest is acquired later through a Transfer as described in **Section 15.2** of this Agreement, prior to obtaining Franchisor's consent to such Transfer. Notwithstanding the foregoing, Franchisor reserves the right, in its sole and absolute discretion, to waive the requirement that some or all of the previously described business entities or individuals execute an Owner's Guaranty in lieu of a surety bond acceptable to Franchisor. Franchisor reserves the right to require any business entity or individual who signs an Owner's Guaranty to provide financial statements, and personal financial statements as applicable, to Franchisor from time to time.

## Article 3. **Scope of License**

3.1 ***Grant of License***. Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee a license to operate one (1) Franchised Business using the System and the Licensed Marks within the Territory from and only from the location stated on **Exhibit A** to this Agreement (the "**Approved Location**"). Franchisee hereby accepts this grant and agrees to operate a Franchised Business in accordance with the System under the Licensed Marks from and only from the Approved Location and to continuously exert its best efforts to promote and enhance the operation of the Franchised Business and the goodwill associated with the Licensed Marks.

3.2 ***Protected Rights.*** The license granted hereunder will be Protected in the Territory during the Term (defined below) provided Franchisee has fully complied with the terms and conditions of this Agreement, including **Section 7.5** of this Agreement, relating to Minimum Sales Performance Standards and **Section 3.3** related to Customers, and any other agreement between One Hour (or its affiliates) and Franchisee (or its affiliates), and this Agreement has not been terminated or expired. In the event Franchisor declares the Territory non-Protected, Franchisor will provide notice to franchisee within five (5) business days of such declaration. "**Protected**" for purposes of this **Section 3.2** means that during the Term, except as provided in **Sections 3.3** and **3.4** Franchisor will not operate, or grant to another person or business entity a franchise to operate, another Franchised Business that uses the Licensed Marks in the Territory and will not permit another person or business entity to service HVAC customers located within the Territory as a Franchised Business that uses the Licensed Marks. For avoidance of doubt, except as provided in **Section 3.4**, nothing herein shall require Franchisor or any affiliate of Franchisor to cease operation of any business operating in the Territory under any trade name, trademark or service mark other than the Licensed Marks, whether operating at the time of this Agreement or subsequently acquired.

As described in this **Article 3**, Franchisee may face competition from other franchisees, from outlets owned by Franchisor, or from other channels of distribution or competition controlled by Franchisor or its affiliates.

3.3 ***Customers.*** Franchisee shall primarily service customers located within the Territory. Franchisee may service customers outside the Territory, if such customers are located in areas geographically contiguous to the Territory and in areas that are not the territory of other franchisees' Franchised Businesses (an "**Open Territory**").

As provided in this **Section 3.3**, Franchisee also may service, for a period of time, Prior Business Customers and Former Open Territory Customers (both defined below and collectively referred to as "**Prior Customers**") located in the territory of another franchisee's Franchised Business.

"**Prior Business Customers**" are customers who, on the Effective Date (defined below) of this Agreement, were located in the territory of another franchisee's Franchised Business and (i) paid for HVAC services from a residential air conditioning and heating services business owned and operated by Franchisee prior to Franchisee entering into this Agreement (a "**Prior Business**") during all or any part of the twenty-four (24) months prior to the Effective Date of the Agreement, and (ii) appear, by name and address, on a written list received by Franchisor from Franchisee within ninety (90) days of the Effective Date of this Agreement. If, and only if, conditions (i) and (ii) are satisfied, Franchisee may continue to service Prior Business Customers for a period not to exceed twenty-four (24) months after the Effective Date of this Agreement, provided that the other franchisee's franchise agreement permits such action. At the conclusion of the twenty-four (24) month period, Franchisee must turn Prior Business Customers over to the franchisee in whose territory the customer is located.

"**Former Open Territory Customers**" are customers who, on the Effective Date of this Agreement, were located in an Open Territory and (i) paid for HVAC services from Franchisee's Franchised Business during all or any part of the twenty-four (24) months prior to the previously Open Territory becoming part of the territory of another franchisee's Franchised Business, and (ii) appear, by name and address, on a written list received by Franchisor from Franchisee within thirty (30) days of Franchisee becoming aware (by notice from Franchisor or otherwise) that previously Open Territory has become part of the territory of another franchisee's Franchised Business. If, and only if, conditions (i) and (ii) are satisfied, Franchisee may continue to service Former Open Territory Customers for a period not to exceed twenty-four (24) months after the date that a previously Open Territory becomes part of the territory of another franchisee's Franchised Business; however, nothing in this **Section 3.3** shall prohibit Franchisor, during the twenty-four month period, from directing service phone calls, electronic communications, or other communications from Former Open Territory Customers to the franchisee that has been awarded the previously Open Territory for service. At the conclusion of the twenty-four (24) month period, Franchisee must turn Former Open Territory Customers over to the franchisee in whose territory the customer is located. Franchisee shall work with the other franchisee that has been awarded the previously Open Territory to amicably resolve any service issues related to Former Open Territory Customers.

Franchisee acknowledges and agrees that other One Hour franchisees using the Licensed Marks may continue to service customers located in the Territory if such franchisees have continuing rights to service those customers under their franchise agreements. Franchisee shall refer service calls it cannot service itself to another One Hour franchisee, if one is available.

Other than as provided in this **Article 3**, Franchisee shall not solicit or accept orders from customers outside of the Territory, including by use of alternate channels of distribution, such as the Internet, telemarketing or other direct marketing.

3.4 ***Reserved Rights.*** Franchisor reserves all rights not specifically granted to Franchisee under this Agreement. The rights reserved to Franchisor include, without limitation, the right of Franchisor or its affiliates, including its parents, to: (1) use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of residential HVAC businesses under the Licensed Marks at any location outside the Territory; (2) operate a residential HVAC business under the Licensed Marks inside the Territory if (i) Franchisor (or its affiliate) is operating a residential HVAC business under the Licensed Marks in the Territory as of the date of this Agreement, or (ii) Franchisor has notified Franchisee before Franchisee has signed this Agreement that Franchisor (or its affiliate) intends to operate a residential HVAC business under the Licensed Marks in the Territory; (3) engage in or license any business activity, including, without limitation, establishing other channels of distribution (including the Internet), selling similar services, related goods or other products through mail order, catalog sales, telemarketing, Internet, television, newspaper, retail outlets, or any other advertising media to consumers located anywhere, including within the Territory, under any trade name, trademark or service mark other than the Licensed Marks; or (4) acquire, operate or franchise residential HVAC businesses under any trade name, trademark or service mark other than the Licensed Marks now or at any time owned by or licensed to Franchisor or its affiliates at any location inside or outside the Territory, and nothing herein shall require Franchisor or any affiliate or parent of Franchisor to cease operation of any business operating in the Territory under any other trade name, trademark or service mark, whether operating at the time of this Agreement or subsequently acquired; provided however, if Franchisor, or one of its affiliates or parents, acquires or otherwise begins to operate a residential HVAC business under another trade name, trademark or service mark in Franchisee's Territory after the date of the Agreement, Franchisor will initiate a discussion with Franchisee to amicably resolve any issues arising from the operation of the business. If the business operates under the control of Franchisor or an affiliate or parent in Franchisee's Territory for longer than twelve months (the "**Resolution Period**") without a mutually agreeable resolution, then Franchisee may deliver to Franchisor written notice of intent to terminate this Agreement, including therein a commitment to provide a general release of claims in the form specified by Franchisor. If at the end of ninety (90) days following Franchisor's receipt of such written notice from Franchisee, no mutually agreeable resolution has been reached, and such general release has been delivered, then this Agreement will terminate and all termination obligations in this Agreement shall apply except as provided in the last paragraph of this **Section 3.4**. If Franchisor has not received such a written notice and general release from Franchisee within ninety (90) days of the expiration of the Resolution Period, then (i) the entity operating the residential HVAC business (the Franchisor, its affiliate or parent, as applicable), in its sole and absolute discretion, may rebrand and operate the residential HVAC business under the Licensed Marks or any other trade name, trademark or service mark it deems appropriate and (ii) Franchisee will be deemed to have waived any objection to the operation of the business by Franchisor or one of its affiliates or parents within the Territory under the Licensed Marks or any other trade name, trademark or service mark. Franchisee acknowledges that Franchisor's rights to use and/or license the System pre-date this Agreement and are not limited or modified by the terms of this Agreement. Franchisee agrees that by acknowledging such rights, the parties do not intend to make Franchisor's exercise of such rights subject to rules applicable to contractual performance or the

exercise of contractual discretion under this Agreement. Neither Franchisor nor its affiliates or parents shall be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities or direct, incidental or consequential damages of any kind or nature whatsoever, if any, based on actual or anticipated consequences to Franchisee that may result from the exercise of rights reserved to Franchisor, its affiliates and parents under this Agreement.

In the event of termination by Franchisee in compliance with the procedure described in this **Section 3.4** all termination obligations in this Agreement shall apply, including but not limited to the obligations in **Section 14.2.D.** and the obligations in **Section 16.4**; provided, however, Franchisee will not be required to comply with **Sections 14.2.A., 14.2.B., and 14.2.C.** of this Agreement.

## Article 4. **Term and Renewal**

4.1 ***Term***. Unless terminated earlier under **Article 16**, the initial term of this Agreement shall be ten (10) years ("**Term**") commencing on the effective date stated on **Exhibit A** to this Agreement (the "**Effective Date**"). This Agreement terminates on the expiration date stated on **Exhibit A** to this Agreement (the "**Expiration Date**").

4.2 ***Renewal.*** This Agreement may be renewed by Franchisee for one (1) additional term of ten (10) years, provided that all of the following conditions shall be met before this Agreement may be renewed:

A. Franchisee has substantially complied with all the provisions of this Agreement (including, without limitation, making all payments in full when due) and all other agreements between Franchisee (or its affiliates) and Franchisor (or its affiliates) during the Term, and is in full compliance with this Agreement and all other agreements at the end of the Term (including, without limitation, having sent its employees and/or Owners to additional or refresher training classes as requested by Franchisor);

B. Franchisee has signed Franchisor's then-current form of franchise agreement, and renewal addendum, and completed and signed all other agreements, authorizations, acknowledgements, and forms then customarily used by Franchisor in granting and renewing franchises for Franchised Businesses, with a renewal term as provided in this **Section 4.2**, which agreements may contain different terms and conditions (including, without limitation, different or increased fees and other financial terms, Continuing Franchise Fees and/or Marketing Fund Contributions, and a requirement that Franchisee remodel, refurbish, renovate (including, without limitation, as to any upgrading or refurbishing of vehicles used in the Franchised Business as may be requested by Franchisor) or re-equip the Franchised Business to bring it into full compliance with all System Standards for new Franchised Businesses) and may not contain any further renewal terms;

C. Franchisee, its Owners (if Franchisee is a business entity), and senior management level employees have attended and successfully completed Franchisor's then-current training program customarily required by Franchisor in granting franchises for Franchised Businesses, if requested by Franchisor;

D. Franchisee and its Owners (if Franchisee is a business entity) have signed a general release, in form satisfactory to Franchisor, of all claims Franchisee may have against Franchisor and its members, officers, directors, owners, employees, affiliates, successors and assigns;

E. Franchisee has given Franchisor notice of its intention to renew this Agreement at least three (3) months but not more than six (6) months prior to the expiration of the Term; and

F. Franchisee has paid Franchisor a renewal fee in an amount equal to $10,000, payable in a lump sum.

4.3 ***Holdover Term***. In the event that Franchisee has not provided unequivocal written notice of non-renewal to Franchisor at least thirty (30) days prior to the Expiration Date, then a new six month term (the "**Holdover Term**") will automatically begin the day following the Expiration Date. If Franchisee has not provided unequivocal written notice of non-renewal to Franchisor at least thirty (30) days prior to the end of any Holdover Term, a new Holdover Term shall begin. Any Holdover Term shall be governed by the terms of the then-current franchise agreement offered by Franchisor, including, but not limited to, all fees and payments required thereunder. Any personal guaranty applicable to the Agreement shall continue in full force and effect during any Holdover Term, and any guarantor shall be liable for all obligations of Franchisee during such Holdover Term. Franchisor may terminate any Holdover Term at any time in its sole and absolute discretion upon notice to Franchisee.

## Article 5. **Location and Business Site**

5.1 ***Location***. Franchisee shall operate the Franchised Business from, and only from, the Approved Location. Franchisee may not change the location of the Franchised Business without Franchisor's prior written approval. If Franchisee has other franchise agreements with Franchisor for contiguous territories, Franchisee may, with Franchisor's approval operate the Franchised Business from an Approved Location within a contiguous territory. In such event, if Franchisee opens an Approved Location within the Territory, Franchisee may continue to direct all order processing and head office functions (including maintenance of books, records and accounts) through one central location of its choosing within one of its contiguous territories while all other operations of the Franchised Business are conducted from the Approved Location within the Territory.

5.2 ***Site Criteria***. The layout of the business site shall comply with the criteria described in the Operations Manual. The business site for the Franchised Business shall include a dispatching area, reception/talking area, tech/training/break area, restroom and warehouse space. In addition, the business site shall comply with local zoning and business requirements, and have adequate parking to accommodate trucks and employees.

5.3 ***Franchisor's Approval***. The Franchisor does not offer any assistance in connection with Franchisee's site or site selection for the Franchised Business; however, at the Franchisor's discretion, the Franchisor reserves the right to approve the site of the Franchised Business before the execution of this Agreement. If the Franchisor does not exercise its right to

approve Franchisee's site for the Franchised Business and the Franchisor executes this Agreement anyway, the site set forth in the Agreement shall be deemed approved. Franchisor's approval of Franchisee's site only indicates that Franchisor believes that the site falls within Franchisor's then-current criteria, and is not a warranty of success for the Franchised Business. Franchisee acknowledges that its acceptance of a site is based on its own independent investigation of the suitability of the site.

5.4 ***Conversion and Construction/Opening.*** Franchisee is responsible for converting, constructing and opening the business site as a Franchised Business in accordance with the layout and other criteria described in the Operations Manual or in other written communications by Franchisor. Franchisee shall complete the conversion and construction of the business site and open the Franchised Business within three (3) months after the Effective Date.

5.5 ***Maintenance, Appearance and Remodeling***. Franchisee shall maintain the business site of the Franchised Business and its appearance in accordance with Franchisor's standards communicated periodically to Franchisee in the Operations Manual, in System Standards, or by other written or electronic communications. Not more often than once every five (5) years, Franchisee shall remodel the business site to comply with Franchisor's then-current System Standards or Operations Manual of Franchisor.

## Article 6. **Franchisor's Responsibilities**

6.1 ***Franchisor Obligations.*** Franchisor will have the following obligations**:**

A. Franchisor will endeavor in the exercise of its business judgment to maintain a high standard of quality for the System, and to promote, protect and enhance the public image and reputation of the System;

B. Franchisor (or its affiliate) will, as Franchisor deems appropriate in its sole and absolute discretion, make available to Franchisee and its Owners and its senior management level employees training courses, programs and materials, which will be conducted at the locations and times as Franchisor may designate. Franchisor (or its affiliate) will make available the two-phase training course (as described in **Section 7.1.K.** of this Agreement), without cost to Franchisee, except that Franchisee shall be responsible for paying any and all travel, living and meal expenses and salaries for Franchisee, Owners and senior management level employees who attend the training classes;

C. Before the opening of the Franchised Business, Franchisor will provide Franchisee with access to an electronic copy of the Operations Manual and System Standards, via Franchisor's interactive electronic website or other means as Franchisor may designate from time to time, and Franchisor will, as it deems appropriate, make available to Franchisee any amendments to the Operations Manual and System Standards during the Term;

D. Before the opening of the Franchised Business, Franchisor will inform Franchisee how to obtain the SuccessWare®21 (ASP Option) software package (or other software package specified by Franchisor, which may be modified, updated, or replaced from time to time) which Franchisee shall use in the Franchised Business; Franchisee shall

be responsible for all ongoing license fees, training fees, and the costs of any upgrades or replacements to the software package (a second senior management level employee may participate in the training at no additional cost if both share the same computer station);

E. Franchisor will develop and maintain a list of standards and/or specifications for trucks, inventory, machinery, equipment, tools, uniforms, and other items that Franchisee may use in the Franchised Business;

F. Franchisor, as it may deem appropriate in its sole and absolute discretion, will make available to Franchisee additional training courses, programs and materials. These may be provided by Franchisor, by third parties, or through Franchisor's affiliates such as New Millennium Academy, L.L.C. ("**Success Academy**"), and SuccessWare; such training shall be conducted at locations and times designated by Franchisor and SuccessWare and at fees established by Franchisor, which may change from time to time;

G. Franchisor will make available to Franchisee the sales, marketing and technical assistance, and consultation and advice on operating procedures that Franchisor may deem necessary or desirable in the exercise of its business judgment;

H. Franchisor will provide Franchisee with a list of approved Suppliers and marketing campaign materials through use of an Internet catalog and/or the Operations Manual and/or other written or electronic communications. Franchisee is free to select any Supplier of its choosing from the approved list of Suppliers provided by Franchisor;

I. Franchisor will make available to Franchisee improvements and changes in Franchisor's services or operating procedures relating to residential HVAC services provided by the Franchised Business;

J. Franchisor will work with its affiliate, BuyMax, LLC, or with other vendors to further develop and maintain a vendor purchase program to negotiate purchase arrangements with Suppliers for the benefit of franchisees and the franchise system;

K. Franchisor will make available for purchase by Franchisee from approved Suppliers certain ready-to-go forms, letterheads, business cards and other daily use marketing items;

L. Franchisor will provide Franchisee with materials that will enable Franchisee to establish a service club, under the name "ComfortClub"® or such other name designated by Franchisor, which will allow Franchisee to offer its customers discounts, scheduling preferences and maintenance and service programs;

M. Franchisor, in its sole and absolute discretion, will provide mystery shopping services;

N. Franchisor will provide a website that will be available twenty-four (24) hours a day, seven (7) days a week to Franchisee's residential customers; and

O. Franchisor will make available to Franchisee, in its sole and absolute discretion, an internet-based and/or DVD-based training resource which may be used by Franchisee on an on-going basis to train on and review the concepts found in the Operations Manual.

6.2 ***Approved Suppliers.*** Franchisor reserves the right to designate or approve, periodically, one or more third parties (a "**Supplier**" or "**Suppliers**"), or Franchisor itself or one of its affiliates, to supply Franchisee with certain categories of products and services including such products and services that use the Licensed Marks (the "**Licensed Products**"). Franchisee shall purchase the Licensed Products only from Suppliers that Franchisor has so designated or approved, or from Franchisor. Franchisor currently maintains an online catalog of approved Suppliers of Licensed Products to which all franchisees have access. Unless otherwise directed or specified by the Franchisor, Franchisee may purchase products and services other than the Licensed Products, and which are not otherwise described in the Operations Manual, from Suppliers of its choice provided such products and services meet the Franchisor's then current standards and specifications.

Franchisor may approve a Supplier for any Licensed Products and may approve a Supplier only as to certain other products or services, including supplies to be used in the Franchised Business. Franchisor may concentrate purchases with one or more Suppliers to obtain lower prices, better advertising support and/or better services for any group of Franchised Businesses or any other benefit Franchisor deems, in its sole and absolute discretion, may benefit the Franchisor, the System or any group of Franchised Businesses. Franchisor may approve a single Supplier for any item, and may approve a Supplier only as to certain items. In approving Suppliers, Franchisor takes into consideration the price and quality of the products or services, and the reliability of the Supplier in getting the products or services to Franchisee in a timely manner. If Franchisor later disapproves a Supplier, Franchisor will notify Franchisee in writing of Franchisor's disapproval, and Franchisee shall cease purchasing from that Supplier within a reasonable time after Franchisee's receipt of Franchisor's notice of disapproval.

If Franchisee proposes to purchase Licensed Products from any Supplier that Franchisor has not previously approved for Licensed Products, Franchisee shall first notify Franchisor in writing and submit to Franchisor all information, specifications and samples of Licensed Products that Franchisor requests. Franchisor shall have the right to require that its representatives, at Franchisee's expense, be permitted to inspect the proposed Supplier's facilities and that samples from the proposed Supplier be delivered to Franchisor or its designated testing facility for evaluation and testing. Franchisor shall have sole and absolute discretion as to whether or not to approve any Supplier. Approval of a Supplier as to any Licensed Products, if given, shall be in writing and may be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, concentration of purchases and other criteria, and may be conditioned on the Supplier providing Franchisor with adequate insurance protection, the Supplier's execution of reasonable indemnity and confidentiality agreements, payment of reasonable continuing inspection fees and administrative costs, and the Supplier's payment of reasonable license fees to Franchisor, and may be temporary or conditional, pending Franchisor's further evaluation of the Supplier.

Franchisor reserves the right to re-inspect, at any time, the facilities, products and/or services of any approved Supplier and to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria.

## Article 7. **Franchisee's Responsibilities**

7.1 ***Franchisee's Obligations.*** In addition to Franchisee's other obligations under this Agreement, Franchisee shall also have the following obligations:

A. Franchisee shall open the Franchised Business for business within the time period provided in **Section 5.4**;

B. Franchisee shall operate the Franchised Business from, and only from, the Approved Location (unless otherwise permitted under **Section 5.1** of this Agreement) according to the System and System Standards and under the Licensed Marks, and not deviate from the System and System Standards without Franchisor's prior written consent;

C. Franchisee shall use its best efforts in the Territory to promote, develop and expand the market for the services of the Franchised Business;

D. Franchisee shall devote sufficient time and effort to the Franchised Business as required by **Section 7.2** to ensure the proper, efficient and effective operation of the Franchised Business;

E. Franchisee shall comply with all of Franchisor's mandatory standards, methods, policies, products, procedures, techniques and specifications that Franchisor may prescribe periodically, whether in the Operations Manual, System Standards or in other written or electronic communications, including the wearing of uniforms while performing services, and using only trucks, inventory, machinery, equipment, tools, uniforms, computers, software and telephones that meet or exceed Franchisor's standards;

F. Franchisee shall offer all and only such products and services as have been expressly approved by Franchisor from time to time (in the Operations Manual or otherwise in writing) and shall refrain from or discontinue offering any products or services which Franchisor may, in its discretion, disapprove in writing at any time;

G. Franchisee must service all customer accounts to the satisfaction of Franchisor and in accordance with the System and System Standards, and shall hire the employees as are necessary or appropriate to staff the Franchised Business, and Franchisee shall ensure that all employees have all licenses required by law;

H. Franchisee shall offer a 100% satisfaction guarantee to all customers as required by the Operations Manual, and Franchisee shall execute the mediation and guarantee of services agreement with UWIN, LLC, Franchisor's affiliate ("**UWIN**"), and shall participate, and timely and faithfully perform all of its obligations thereunder. The satisfaction guarantee includes customer guarantees related to timeliness of service and other guarantees that may be required by the Operations Manual;

I. Franchisee shall purchase the opening inventory and supplies package designated by Franchisor in the Operations Manual ("**Opening Inventory and Supplies Package**") from one of the approved Suppliers;

J. Franchisee shall obtain and utilize a new telephone number for the Franchised Business through Phone Facts® (if so instructed by Franchisor, as part of a coordinated call tracking system for Franchised Businesses organized by Franchisor or one of its affiliates) and shall cease marketing of, or redirect to Phone Facts, any telephone numbers used in connection with its Prior Business as soon as commercially reasonable, but no later than thirty (30) days after the Effective Date. Franchisee shall notify Franchisor of any number it wishes to retain after the Term has expired, and no such number shall be marketed in relation to the Franchised Business, or in any other manner, after the signing of this Agreement;

K. Franchisee and its senior management level employee, if any, shall attend and successfully complete the two-phase training program to be conducted by Franchisor (or its affiliate) and shall successfully complete the SuccessWare21 (ASP Option) software system training, or such other software system training that Franchisor may designate, to be able to maintain all the daily financial records of the Franchised Business. The first phase of the two-phase training program must be completed within three (3) business days of the signing of this Agreement, and the second phase and the SuccessWare 21 (ASP Option) software system training shall be completed at the next available course offering after the signing of the Agreement and must be completed to the Franchisor's reasonable satisfaction. Updates, modifications or replacements to required software systems may be made by Franchisor from time to time, and in such event, additional training may be required. Franchisee shall be responsible for all the travel, living and meal expenses, and salaries, of Franchisee and its managers and senior management level employees who attend the training class. (Franchisor retains the right to waive opening training requirements for qualifying, experienced franchisees, at its sole and absolute discretion);

L. Franchisee shall use the Licensed Marks exactly and only as permitted;

M. Franchisee shall honor the Territory's boundary in accordance with **Section 3.3** of this Agreement;

N. Franchisee shall maintain a drug free workplace and formal drug testing procedures for its employees as provided in the Operations Manual;

O. Franchisee shall pay all fees and other payments due to Franchisor hereunder promptly when due;

P. Franchisee shall comply at all times with all federal, state and municipal laws, orders, regulations, ordinances and the like pertaining to the operation of the Franchised Business, including, without limitation, all governmental regulations relating to OSHA; workers' compensation; unemployment insurance; withholding and payment of federal, state and local income taxes and sales taxes; privacy laws; and HVAC and related trade licensing regulations and requirements;

Q. Franchisee shall promptly pay when due all taxes, expenses and surcharges of any kind levied or assessed by any governmental body, whether federal, state or local, by reason of or in connection with Franchisee's operation of the Franchised Business;

R. Franchisee shall submit the information and reports required by **Section 9.3** and permit Franchisor to access its data as provided in **Sections 9.1, 9.2**, and **9.4** of this Agreement;

S. Franchisee shall conduct the Franchised Business in a manner that does not reflect adversely on Franchisor, the System, or the Licensed Marks, or which might depreciate or otherwise adversely affect the goodwill associated with any of them;

T. Each of Franchisee's Owners, officers, directors, members, partners, managers and employees who obtain Confidential Information (defined below) shall sign a confidentiality agreement in the form that Franchisor may prescribe periodically;

U. Franchisee or one of its Owners or one of its senior management level employees shall attend Franchisor's annual franchise system meeting or at least one regional meeting each calendar year, if offered by Franchisor. Franchisee shall be responsible for all the expenses Franchisee or its representative incurs in attending these meetings. Franchisee acknowledges that Franchisor may alter the number of such meetings, as well as the names and schedules under which such meetings are held;

V. Franchisee, in the manner and with the frequency prescribed by Franchisor, shall use a system that is designed to track Franchisee's progress and assist Franchisee to prioritize its time and plan the Franchised Business. Such system may be operated by an independent third party or by an affiliate of Franchisor;

W. Franchisee agrees not to use or permit to be used any part of the System in connection with any business in which Franchisee has an interest, direct or otherwise, other than the Franchised Business; and

X. Franchisee agrees that its spending for products and services with suppliers that are, or that become, participants in any vendor purchase program of Franchisor, including Franchisor's affiliate, BuyMax, LLC or any successor program, shall be counted as part of the aggregate spending of such vendor purchase program. For purposes of such accounting, Franchisee shall be considered a member of BuyMax, LLC or any similar successor program operated by Franchisor or its affiliates.

7.2 ***Operation of Franchised Business.***

A. Franchisee (or its principal Owner if Franchisee is a business entity) shall diligently and fully exploit the rights granted in this Agreement by providing direct supervision in the operation of the Franchised Business on its premises. Franchisee shall not engage in conflicting enterprises or other activities that could be detrimental to or interfere with the operation of the Franchised Business.

B. Franchisee shall not display, advertise or use in connection with the Franchised Business any trade name, trademark, logo, or other intellectual property that is not part of the Licensed Marks; provided, however, that Franchisee may continue to use any trade name, trademark, logo, or other intellectual property previously used to identify its Prior Business ("**Prior Marks**") for up to eighteen (18) months after the Effective Date to the

extent necessary to convert and consolidate its Prior Business into the Franchised Business, as approved by Franchisor.

C. Franchisee may appoint a senior management level employee to conduct the day-to-day operations of the Franchised Business. Any such appointed manager shall be required to attend and successfully complete Franchisor's training program to the Franchisor's reasonable satisfaction within ninety (90) days of such appointment.

7.3 ***Insurance.*** Franchisee will purchase, and at all times during the Term maintain in full force and effect, the policies of insurance in the amounts as are required by Franchisor, as specified in the Operations Manual, and which may include, without limitation, product liability, comprehensive general liability, automobile liability, workers compensation/employers liability, and property insurance, in respect of the Franchised Business. Franchisee shall name Franchisor (and any other parties that may be required by the terms of the Operations Manual) as an additional insured in each such policy and such policies shall provide that the insurer will send Franchisor duplicate copies of all policy documentation and correspondence regarding same. At least fourteen (14) days before the opening of the Franchised Business, and upon the renewal of each insurance policy, Franchisee will provide Franchisor with a certificate of coverage, along with all endorsements as may be specified in the Operations Manual, issued by the insurer indicating that all required insurance is in full force and effect and that it will not be terminated, permitted to lapse, expire or be changed without at least thirty (30) days' prior written notice to Franchisor. In the event that Franchisee fails to maintain insurance coverage as required, or fails to provide reasonable evidence of same when requested by Franchisor, Franchisor shall have the right to procure and maintain such insurance coverage from an insurer selected by Franchisor, at the sole expense of Franchisee. Franchisee shall promptly reimburse Franchisor for any costs so incurred. Franchisee, at its sole cost, may participate in any group or blanket insurance program, which Franchisor may establish or otherwise facilitate for the benefit of its franchisees.

7.4 ***Computer System/Office Equipment.*** Franchisee shall acquire and use in the Franchised Business a computer system, including software, of a type that Franchisor may designate from time to time that is compatible with the software or other required system designated for use by franchisees from time to time. Franchisee shall also acquire and use the office equipment that Franchisor may designate for use by franchisees from time to time. Prior to the opening of the Franchised Business, Franchisee shall implement, and have fully operational the SuccessWare21 (ASP Option) software program, a firewall protection system compatible with software Franchisor designates, and all other software programs that Franchisor may designate, from time to time, for use in the Franchised Business. At its sole expense, Franchisee shall maintain and upgrade its computer system, including software, to meet Franchisor's requirements from time to time. Franchisee must comply with any and all changes or upgrades in the computer system, software, or other system designated by Franchisor from time to time no later than thirty (30) days after notice from Franchisor. Franchisor may change the applicable computer system and software requirements of the Franchised Business at any time in its discretion, but the Franchisor is not required to provide any maintenance, repairs, upgrades or updates. In the event that Franchisee fails to pay any amount owed to keep the SuccessWare21 (ASP Option) software program (or other software programs needed to satisfy Franchisor's operational requirements) operating, Franchisor shall have the right but not the obligation to pay directly to the appropriate

vendor or supplier any amounts owed to keep the software programs operational at the sole expense of Franchisee. Franchisee shall promptly reimburse Franchisor for any costs so incurred no later than ten (10) days after notice from Franchisor.

7.5 ***Minimum Sales Performance Standards.*** Franchisee must achieve a revenue level of at least $5,000 per 1,000 of population in the Territory (e.g., $500,000 per 100,000 of population) per annum ("**Minimum Sales Performance Standards**") within three (3) years after the Effective Date. After the third anniversary of the Effective Date, Franchisee must maintain at least the Minimum Sales Performance Standards each year throughout the Term. If Franchisee fails to meet the Minimum Sales Performance Standards by the third anniversary of the Effective Date, or fails to maintain the Minimum Sales Performance Standards for the remainder of the Term, Franchisor has the right, by giving notice to Franchisee, to either; (a) declare that Franchisee's Territory is no longer Protected; that is, henceforth Franchisor shall have the right to (i) serve, or authorize others to serve, residential HVAC customers within the Territory; and/or (ii) operate, or to grant a franchise to another person or business entity to operate, a Franchised Business in Franchisee's Territory; or (b) terminate this Agreement. The Minimum Sales Performance Standards are not purchase commitments, but notice to Franchisee of the minimum sales goals that Franchisor expects Franchisee to achieve in the Territory. Franchisor may, in its sole and absolute discretion temporarily waive compliance with this **Section 7.5** based on Franchisee's business circumstances; provided, however, any delay by Franchisor in declaring Franchisee's Territory non-Protected does not constitute a waiver of its right to, at any time, require strict compliance with the Minimum Sales Performance Standards or its right to notify Franchisee that its Territory has become non-Protected. In addition, as further described in **Section 19.9** of this Agreement, any such waiver regarding one failure by Franchisee to comply with the Minimum Sales Performance Standards does not constitute a waiver with respect to any other failure by Franchisee to meet its Minimum Sales Performance Standards.

7.6 ***Owners of Franchisee.*** **Exhibit C** to this Agreement shall at all times completely and accurately describe all the Owners of Franchisee and their beneficial ownership interests in Franchisee, and if any Owner is a business entity, **Exhibit C** shall also completely and accurately describe all other business entities and individuals that have indirect ownership in Franchisee and their ownership interests in such entities. Franchisee and its Owners agree to: (i) sign and deliver to Franchisor a revised **Exhibit C** in a form required by Franchisor as may be necessary to reflect any permitted changes in the information contained therein due to Transfers (as defined in **Section 15.2** of this Agreement), and such revised Exhibit C shall be delivered to Franchisor at the time of or prior to such Transfer and (ii) furnish other information about Franchisee's organization or formation as Franchisor may request.

## Article 8. **Fees**

8.1 ***Initial Fees.*** Franchisee shall pay Franchisor the initial fees stated on **Exhibit A** to this Agreement (the "**Initial Fees**"), which amount Franchisee acknowledges is fully earned by Franchisor and is not refundable.

8.2 ***Continuing Franchise Fee***. Commencing on the first of the month following ninety (90) days after the Effective Date as stated on **Exhibit A**, Franchisee shall pay Franchisor

a semi-monthly continuing franchise fee (the "**Continuing Franchise Fee**") of five percent (5%) of Net Sales (as defined in **Section 8.5** of this Agreement).

8.3 ***Payment of Continuing Franchise Fee***. Franchisee shall calculate and pay the Continuing Franchise Fee twice a month: (i) the first payment is due by the 25th day of each month for Net Sales from sales from the 1st day through the 15th day of the month, and (ii) the second payment is due by the 10th day of the next month for Net Sales from sales from the 16th day through the last day of the immediately preceding month. The minimum Continuing Franchise Fee is $1,500 per month.

8.4 ***Marketing Fund Payments***. While Franchisor has a Marketing Fund in effect under **Section 10.4**, Franchisee shall pay Franchisor a semi-monthly Marketing Fund contribution in the amount designated by Franchisor, but not to exceed four percent (4%) of Net Sales for the preceding period ("**Marketing Fund Contribution**"). Payments of the Marketing Fund Contribution shall commence at the later of the date that Franchisor implements a Marketing Fund or ninety (90) days after the Effective Date. The Marketing Fund Contribution shall be calculated and paid twice a month: (i) the first payment is due by the 25th day of each month for Net Sales from sales from the 1st day through the 15th day of the month; and (ii) the second payment is due by the 10th day of the next month for Net Sales from sales from the 16th day through the last day of the immediately preceding month.

8.5 ***Net Sales.*** "**Net Sales**" is defined as: (A) all sales and revenue (and all other income of every kind and nature) related to, derived from, or originating from the Franchised Business (whether within or outside the Territory), including proceeds of any business interruption insurance policies; (B) all sales and revenues from the sale of commercial HVAC products and services by Franchisee (whether or not authorized by **Section 14.1** of this Agreement); and (C) all sales and revenues deemed to be Net Sales as provided in **Section 9.1;** less (i) the amount of sales tax or similar receipts which, by law, are chargeable to customers, if such taxes are separately stated when the customer is charged and if such taxes are paid to the appropriate taxing authority; (ii) any bona fide refunds, rebates or discounts granted to customers in the ordinary course of business; (iii) any bona fide and reasonable payments made in the ordinary course of business to unaffiliated subcontractors who perform services unrelated to Franchisee's core business and at Franchisee's customer's premises; and (iv) any reasonable and customary job service permit fees paid to governmental entities if such permit fees are properly documented and if such permit fees are paid to the appropriate governmental entity. Franchisee acknowledges and agrees that "Net Sales" under **Section 8.5.A.** include, but are not limited to, all sales and revenues related to Franchisee's sale and delivery of any products and services of any kind or nature whatsoever (whether or not such products or services are approved by Franchisor) that were procured or delivered in any manner using any portion of the Franchised Business, including the Licensed Marks (such as trucks, vehicles, invoices, and uniforms bearing the Licensed Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business.

8.6 ***Past Due Service Charge.*** If any amount owed by Franchisee to Franchisor under this Agreement is past due, Franchisor has the right to assess and collect a past due service charge (including, without limitation, as a late fee) equal to the lesser of one and a half percent (1.5%) per month or the maximum permissible rate on any past due amounts.

8.7 ***Service Deficiency Reimbursements.*** If a customer of Franchisee complains to Franchisor that Franchisee's services were deficient and Franchisor determines after discussion with Franchisee that there is merit to the customer's complaint, Franchisor reserves the right to perform or cause to be performed these services to the customer's reasonable satisfaction or to reimburse the customer for any money the customer may have paid for these services upon written notice to Franchisee if Franchisee does not do so itself. In such event, Franchisee shall promptly reimburse Franchisor for any costs incurred by Franchisor to perform or have performed these services or for the payment made by Franchisor to the customer upon receipt of an invoice from Franchisor.

8.8 ***Payments***. Franchisee shall make all payments to Franchisor by electronic funds transfer to an account designated by Franchisor, or by the other methods that Franchisor may designate from time to time. Franchisee shall be required to complete an Automatic Clearing House (ACH) agreement, in a form prescribed by Franchisor, authorizing automatic withdrawals.

8.9 ***Non-Compliance Period Payments***. If the Franchisee fails to maintain compliance with all provisions of the Agreement, Franchisor shall be entitled to give notice declaring Franchisee non-compliant. Such notice shall be delivered with reasonably sufficient detail to provide Franchisee the opportunity to cure its non-compliance. As of the first Continuing Franchise Fee payment date to occur after ten (10) days have passed from such notice of such non-compliance by Franchisor, and continuing until such non-compliant condition has been removed, (the "**Non-Compliance Period**") Franchisor shall have the right to assess Continuing Franchise Fees of up to ten percent (10%) of Net Sales, in Franchisor's sole and absolute discretion. As specified in **Section 19.11** or elsewhere herein, the right to declare a Non-Compliance Period is cumulative to all other rights of Franchisor, and is not an exclusive remedy.

## Article 9. Records, Reports, Inspections and Inquiries

9.1 ***Records.*** During the Term, Franchisee shall maintain and preserve full, complete and accurate books, records and accounts relating to the conduct and operation of the Franchised Business. The books, records, and accounts shall be kept at the Approved Location unless otherwise permitted under **Section 5.1**. Franchisee shall establish and maintain, at its own expense, a bookkeeping, accounting and record keeping system in accordance with generally accepted accounting principles ("**GAAP**") consistently applied and conforming to the requirements that Franchisor may prescribe from time to time. If Franchisee, its Owners, or affiliates operates any business other than the Franchised Business, Franchisee shall keep books, records and accounts of such other business (the "**Other Business Records**") separate and distinct from the books, records and accounts of the Franchised Business (the "**Franchised Business Records**"), failing which the revenues received by Franchisee from such other business shall be deemed for all purposes, including the calculation and payment of Continuing Franchise Fees, to be revenues attributable to the Franchised Business. Franchisor has the right to access and obtain any information required to be delivered to it by Franchisee for the Franchised Business under the terms of this Agreement directly from the computer and other systems used by Franchisee, and if Franchisor cannot or does not do so, Franchisee shall transmit to Franchisor all information requested by Franchisor in the manner and at the time Franchisor specifies.

9.2 ***Access to and Use of Data***. Franchisor has the right to independently access the SuccessWare21 (ASP Option) software program used by Franchisee (or other software program specified by Franchisor and which may be modified, updated, or replaced from time to time) ("**Software Program**"), and any and all data, including without limitation financial reports, vendor and supplier pricing data, and Customer Information (as defined below), entered into, maintained by, or produced by the Software Program, whether in Franchisee's computer systems or elsewhere (collectively "**Business Data**"), to use, and share information on the entire franchise system and its customers. In the absence of such software access, Franchisor has the right to require Franchisee to deliver such Business Data to Franchisor. "**Customer Information**" includes, without limitation, Personal Information (as defined below), sales and payment history, and all other information about any person or entity Franchisee has serviced, or that Franchisee has solicited to purchase any service, during the Term, including data regarding Prior Customers, and other information as may be identified in the Operations Manual. "**Personal Information**" includes any information that, by itself or in conjunction with other information, may be used to specifically identify or contact individuals, such as name, physical address, telephone number, and e-mail address, billing and payment history, and customer service requests and other similar information as may be identified in the Operations Manual.

Franchisee acknowledges and agrees that Franchisor may access and use (and authorize others to access and use) the Business Data to, among other uses: (i) monitor progress of its franchisees including compliance with Minimum Sales Performance Standards; (ii) prepare a financial performance representation for Franchisor's Franchise Disclosure Document; (iii) provide services to former customers serviced by the Franchised Business (including, without limitation, customers serviced by a Prior Business) after the expiration or termination of this Agreement for any reason; (iv) share vendor and supplier pricing data with its affiliates; and (v) use Customer Information as described below. Franchisee hereby grants Franchisor and any other affiliate, service provider, or contracted party that Franchisor may authorize, access to the Business Data to be used by Franchisor for the purposes described in this **Section 9.2** and other purposes permitted by this Agreement. Franchisee hereby grants Franchisor the right to independently access and use customer Personal Information maintained in the Software Program for Franchisor's legitimate business purposes. Franchisor may share Customer Information, including Personal Information of customers of Franchisee, with its parents, affiliates, service providers and with contracted third parties. Customer Information may be used by such parties for Franchisor's business purposes, for the performance of services for Franchisor or its parents or affiliates, as well as for marketing and cross-selling products and services of any of the foregoing parties. Franchisee shall maintain a privacy policy during the Term that will permit the sharing of Customer Information as described in this **Section 9.2**, and Franchisee shall take all action necessary to allow Franchisor to independently access, use, and share Business Data for the purposes described in this **Section 9.2.** Franchisee shall promptly comply with any additional requirements in the Operations Manual, including but not limited to requirements related to insurance, privacy policies and disclosures and customer consent (opt-out).

Without limiting the foregoing, Franchisee shall comply with applicable law in connection with Franchisee's collection, storage, use, and sharing of Customer Information and Franchisor's use of such Customer Information. Franchisor makes no representation or warranty that Franchisee's privacy policies and data storage and sharing practices comply with federal, state or local laws, rules, or regulations, or the terms of any agreements or orders to which Franchisee may

be subject. Franchisee shall be solely responsible for its privacy policies and data storage and sharing practices and Franchisor assumes no direct or indirect liability or obligation to Franchisee or customers with respect to such policies and practices.

9.3 ***Reports.*** Franchisee shall give Franchisor, in the form prescribed by Franchisor from time to time: (i) its then-current lists of customers serviced by the Franchised Business; (ii) concurrently with each payment of the Continuing Franchise Fee, a report of Net Sales for the preceding period; (iii) by the third business day following the end of each month-end, a Profit and Loss Statement for the immediately preceding month along with a completed balance sheet as of the last day of that same month; (iv) upon Franchisor's request, the other data, inventory reports, information and supporting records for these periods as Franchisor may require; and (v) within 120 days after the end of Franchisee's fiscal year, a Profit and Loss Statement, a fiscal year-end balance sheet, and statement of cash flows for the Franchised Business for the fiscal year, reflecting all year-end adjustments. Franchisee also shall maintain and furnish, upon Franchisor's request, complete copies of all federal, state and local income tax returns and any amendments that Franchisee files with the Internal Revenue Service and state tax departments reflecting sales and income of the Franchised Business. These records shall be maintained at the Approved Location except as otherwise permitted under **Section 5.1**. Franchisee's chief financial officer (if Franchisee is a business entity) or Franchisee's principal Owner shall certify all reports that Franchisee provides to Franchisor. If Franchisee fails to send Franchisor the Net Sales reports when due, along with the month-end Profit and Loss Statement described in this **Section 9.3**, Franchisor may estimate Franchisee's Net Sales for the prior month based on Franchisee's previous Net Sales plus fifteen percent (15%). Franchisee authorizes Franchisor to withdraw Continuing Franchise Fee payments as described in **Section 8.8** of this Agreement, based on such estimate of Net Sales. Franchisor will not refund any difference between estimated Continuing Franchise Fees and actual Continuing Franchise Fees after the Net Sales reports and month-end Profit and Loss Statements are submitted.

9.4 ***Inspection and Audits.*** Franchisor, or its authorized agents and representatives, has the right during business hours, but without prior notice to Franchisee, to inspect or request copies of the following operations and material to ascertain that Franchisee is operating the Franchised Business in accordance with the System and the terms of this Agreement: (i) all aspects of the operation of the Franchised Business at the Approved Location; (ii) all Franchised Business Records; (iii) Other Business Records (if any); and (iv) all accounting and other records, books of account, tax returns and other documents and materials in the possession of or under the control of Franchisee or Owners relating to the Franchised Business, Franchisee, individuals and businesses that sign an Owner's Guaranty, and/or the subject matter and terms of this Agreement, including, without limitation, all records of Franchisee required to be maintained under applicable law except, however, Franchisor shall not have the right to inspect employment records of employees. If any of the materials described in this **Section 9.4** are kept at another location under **Section 5.1**, Franchisee shall permit Franchisor to inspect these materials at such other location. Franchisor and its authorized agents and representatives shall be allowed to make extracts from or copies of all the materials described in this **Section 9.4**. In the event that Franchisor's inspection reveals a discrepancy which has resulted in the underpayment of any fee, including the Marketing Fund Contribution, Franchisee shall promptly pay the underpayment, and if the underpayment of any fee shows a discrepancy of more than three percent (3%) as compared to Franchisee's reported

Net Sales for any period audited, Franchisee shall promptly pay the underpayment and reimburse Franchisor upon receipt of an invoice for all expenses associated with the inspection.

9.5 ***Inquiry by Franchisor.*** Franchisee, by its execution of this Agreement, authorizes Franchisor and its agents and representatives to make credit and background checks of Franchisee and Owners, including, without limitation, reasonable inquiries of Franchisee's bankers, suppliers and other trade creditors regarding their dealings with Franchisee in relation to the Franchised Business and the subject matter and terms of this Agreement, to discuss the affairs, finances and accounts of the Franchised Business and the subject matter and terms of this Agreement; and Franchisee, by its execution of this Agreement, authorizes and directs these bankers, suppliers and trade creditors to discuss with Franchisor and its authorized agents and representatives the affairs, finances and accounts of the Franchised Business and to obtain information and copies of invoices relating to sales or other dealings between all these parties and Franchisee in any way relating to the Franchised Business and the subject matter and terms of this Agreement. If requested, Franchisee agrees to sign and deliver these directions and other documents as Franchisor may require authorizing the bankers, suppliers and trade creditors to release or disclose such information and documents to Franchisor.

## Article 10. **Advertising/Marketing Fund**

10.1 ***Advertising and Marketing.*** Franchisee agrees that all advertising and marketing by Franchisee with respect to the Franchised Business shall be conducted in a dignified manner and shall conform to the System and System Standards. Such requirements apply regardless of the medium in which the Franchisee chooses to advertise. Franchisee agrees to use only the current Licensed Marks in its advertising and marketing, except to the extent Franchisor authorizes Franchisee to gradually phase out use of the Prior Marks during the conversion term described in **Section 7.2.B.** All advertising that Franchisee proposes to use must be approved by Franchisor before Franchisee's use of the materials. Franchisor may disapprove any advertising or marketing materials used or proposed to be used by Franchisee in Franchisor's sole and absolute discretion, without liability to Franchisee for any costs incurred by Franchisee in connection with the same. Franchisee shall not sponsor or deliver marketing for which the purpose, intent or effect is to reach customers who are in the territory of other franchisees' Franchised Businesses unless such advertising has been coordinated with, or approved by, One Hour. All advertising, including internet-based advertising, must be designed to route customers to the franchisee serving that customer's location. Franchisor has the right in its sole and absolute discretion to require local or regional advertising cooperatives to be formed and, if formed, Franchisor has the right in its sole and absolute discretion to change, dissolve or merge the cooperatives.

10.2 ***Yellow Pages or Comparable Telephone Directory Listing***. Franchisee shall list the Franchised Business in the Yellow Pages or comparable telephone directory (which shall include an internet accessible or "on-line" directory) ("**Yellow Pages**") applicable to the Territory. Such Yellow Pages listing must occur as soon as possible after signing this Agreement; provided, however, Franchisee shall not market the Franchised Business in any Yellow Pages, including an internet accessible or "on-line" directory, if the purpose, intent or effect of such marketing is to reach customers who reside outside the Territory unless such advertising has been coordinated with, or approved by, One Hour. If Franchisee operates the Franchised Business in a marketing

area that is shared by Franchisor's other franchisees, Franchisee and all the other franchisees shall use a common toll-free telephone number in their advertising or marketing materials.

10.3 ***Local Marketing***. Franchisor recommends, but does not require, that Franchisee spend annually at least eight percent (8%) to twelve percent (12%) of Net Sales on local marketing. We recommend that a portion of your spending be directed to internet based advertising, including methods (commonly referred to "Pay Per Click") to promote internet traffic to the Franchised Business. We also recommend you purchase promotional items, including stickers, magnets and other emblazoned items announcing Franchisee's new affiliation with One Hour. Franchisee's Yellow Pages or comparable telephone directory expenses as required by **Section 10.2** will be counted towards the recommended local marketing expenditure.

10.4 ***Establishment of Marketing Fund.*** Franchisor may establish, maintain and administer a national and one or more regional marketing funds (each a "**Marketing Fund**") by giving Franchisee not less than thirty (30) days' notice of the effective date of the Marketing Fund and the amount of the Marketing Fund Contribution. Franchisor may modify the amount of the Marketing Fund Contribution on not less than thirty (30) days' notice to Franchisee. While a Marketing Fund is in existence, Franchisee shall pay the Marketing Fund Contribution required by **Section 8.4**, and Franchisor will direct all marketing programs financed by the Marketing Fund and have sole and absolute discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the marketing programs. Among other things, Franchisor may use the Marketing Fund to pay the costs of preparing and producing video, audio and written advertising materials; administering local, regional, multi-regional and national advertising programs including, without limitation, purchasing direct mail and other media advertising; employing advertising, public relations and media buying agencies to assist in these activities; supporting public relations, market research and other advertising and marketing activities; and constructing and maintaining a website used to promote the Franchisor marketing programs. Franchisor may elect to use the Marketing Fund to provide Franchisee with marketing, advertising and promotional formats and sample materials without additional charge, or to provide Franchisee with multiple copies of marketing, advertising and promotional materials at a reasonable price.

10.5 ***Use of Marketing Fund Contributions.*** The Marketing Fund is not a trust. However, Franchisor will account for the Marketing Fund Contributions separately from Franchisor's other funds and will not use the Marketing Fund Contributions to defray any of Franchisor's general operating expenses, except for costs, salaries, travel expenses, administrative costs, overhead and other similar expenses that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including, without limitation, conducting market research, preparing advertising and marketing materials, general production costs and collecting and accounting for contributions to the Marketing Fund). Amounts loaned to the Marketing Fund shall be reimbursed by the Marketing Fund. Franchisor may spend in any fiscal year an amount greater or less than the total contributions of all Franchised Businesses to the Marketing Fund in such year and Franchisor may cause the Marketing Fund to invest any surplus for future use by the Marketing Fund or to reimburse funds previously loaned or advanced to the Marketing Fund. Franchisee authorizes Franchisor to collect for remittance to the Marketing Fund any advertising or promotional monies or credits offered by any supplier to the Marketing Fund based upon Franchisee's purchases. All interest earned on monies contributed to the

Marketing Fund will be used to pay advertising costs of the Marketing Fund before other assets of the Marketing Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Marketing Fund (in a form the Franchisor, in its sole and absolute discretion, may mandate from time to time) and will furnish the annual statement for the most recent completed fiscal year to Franchisee upon Franchisee's written request. Franchisor will have no obligation to have the Marketing Fund audited.

10.6 ***Benefit of Marketing Fund.*** Franchisee agrees that the Marketing Fund, while in effect, will be intended to maximize recognition of the Licensed Marks and patronage of all applicable Franchised Businesses in the United States. Although Franchisor will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all applicable Franchised Businesses in the United States, Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Marketing Fund by franchisees operating in that geographic area or that any Franchised Businesses will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Although Franchisor intends the Marketing Fund to be of unlimited duration, Franchisor shall have the right to terminate and, if terminated, to reinstate, the Marketing Fund at any time after all money in the Marketing Fund has been expended.

10.7 ***Franchisor Obligations.*** Except as expressly provided in this **Article 10**, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund.

10.8 ***No Representation and Warranty***. Franchisor makes no representation or warranty that any marketing, advertising or promotional materials or programs that it provides to Franchisee, or that is prepared by Franchisee and approved by Franchisor, comply with federal, state or local laws, rules, and regulations, or the terms and conditions of any agreements or orders to which Franchisee may be subject. Franchisee shall be solely responsible for the use of all such materials and programs, and Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the use of any such materials and programs by Franchisee. Franchisee shall, at its own expense and risk, obtain all governmental approvals of all such materials and programs and defend any claim that such materials and programs are not in compliance with law, and Franchisee shall indemnify Franchisor (as provided pursuant to **Section 17.4** of this Agreement) in connection with Franchisee's use of any marketing, advertising or promotional materials or programs in Franchisee's operation of the Franchised Business.

10.9 ***Franchisor's Website.*** Franchisor has established a website (the "**One Hour Website**") that is designed to assist Franchisee with respect to the promotion and operation of the Franchised Business. Franchisee shall use the One Hour Website, and may also use a domain name associated with its Prior Business (a "**Retained Domain**"), subject to the following terms:

A. As soon as commercially reasonable after the Effective Date, but no later than thirty (30) days after the Effective Date, Franchisee shall modify any website to which a user is directed by the Retained Domain so that such website displays only the Licensed Marks, and no marks or trade dress of the Prior Business or any other business, consistent

with the requirements of **Section 11.7**. Franchisee may transfer domain names of any Prior Business to Franchisor, and if Franchisee does so, Franchisor will take responsibility for ensuring such domains are properly linked and/or redirected. Franchisee shall not receive any compensation for such transfer. Franchisee shall use the One Hour Website and any website associated with the Franchised Business or the Retained Domain (a "**Licensed Site**") solely to promote and operate the Franchised Business and shall not use the Licensed Site in any way that is unlawful or harms Franchisor, its affiliates or franchisees or any customer of Franchisor, its affiliates or franchisees, as determined in Franchisor's sole and absolute discretion. Franchisee shall not use the Licensed Site in any manner that breaches the terms of this Franchise Agreement, or any code of conduct, policy, the Operations Manual or other notice that is applicable to Franchisor's franchisees. Without limiting the generality of the foregoing, Franchisee shall not use the Licensed Site in any manner that could damage, disable, overburden or impair the One Hour Website or interfere with any other party's use and enjoyment of the One Hour Website.

B. Without limiting the generality of the foregoing, Franchisee shall not use the Licensed Site to transmit, either directly or indirectly, any unsolicited bulk e-mail or unsolicited commercial e-mail. Franchisee understands and accepts that Franchisor may use filtering technology or other measures in its efforts to stop unsolicited commercial e-mail, and that if Franchisee's use of the One Hour Website includes e-mail related services, then the filtering technology or other measures may block, either temporarily or permanently, some e-mail sent to Franchisee through the One Hour Website.

C. For materials that Franchisee posts or otherwise provides to Franchisor related to the One Hour Website, Franchisee hereby permits Franchisor to (i) use, copy, distribute, transmit, publicly display, publicly perform, reproduce, edit, modify, translate and reformat such materials, each in connection with the One Hour Website, and (ii) sublicense such material to the maximum extent permitted by applicable law. Franchisor will not pay Franchisee for such materials, and Franchisor may remove such materials at any time. For each of the materials that Franchisee provides to Franchisor, Franchisee represents that it has all rights necessary for Franchisor to make the grants made in this **Section 10.9.C.** If permitted by applicable law, Franchisor may monitor Franchisee's e-mail, or other electronic communications and may disclose such information in the event Franchisor has a good faith reason to believe it is necessary for the purposes of ensuring Franchisee's compliance with this Agreement, and protecting the rights, property and interests of Franchisor, its affiliates and franchisees and any customer of Franchisor, its affiliates and franchisees.

D. Franchisor does not warrant or guarantee the accuracy or timeliness of any information that is available from the One Hour Website. FRANCHISOR PROVIDES THE ONE HOUR WEBSITE "AS IS," "WITH ALL FAULTS" AND "AS AVAILABLE," AND THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY AND EFFORT IS WITH FRANCHISEE. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FRANCHISOR MAKES NO REPRESENTATIONS, WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED. FRANCHISOR DISCLAIMS ANY AND ALL WARRANTIES OR CONDITIONS, EXPRESS, STATUTORY OR IMPLIED, INCLUDING, WITHOUT

LIMITATION, (I) WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, WORKMANLIKE EFFORT, ACCURACY, TITLE QUIET ENJOYMENT, NO ENCUMBRANCES OR LIENS AND NON-INFRINGEMENT, (II) WARRANTIES OR CONDITIONS ARISING THROUGH COURSE OF DEALING OR USAGE OF TRADE, OR (III) WARRANTIES OR CONDITIONS THAT ACCESS TO OR USE OF THE ONE HOUR WEBSITE SHALL BE UNINTERRUPTED OR ERROR-FREE. THERE ARE NO WARRANTIES THAT EXTEND BEYOND THE FACE OF THIS FRANCHISE AGREEMENT.

E. WITHOUT LIMITING THE GENERALITY OF **SECTION 18.7**, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES ARISING OUT OF, BASED ON, OR RESULTING FROM FRANCHISEE'S USE OF THE ONE HOUR WEBSITE, EVEN IF FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF THESE DAMAGES. THE EXCLUSION OF DAMAGES UNDER THIS SECTION **10.9.E.** IS INDEPENDENT OF FRANCHISEE'S EXCLUSIVE REMEDY AND SURVIVES IN THE EVENT THE REMEDY FAILS OF ITS ESSENTIAL PURPOSE OR IS OTHERWISE DEEMED UNENFORCEABLE. THESE LIMITATIONS AND EXCLUSIONS APPLY WITHOUT REGARD TO WHETHER THE DAMAGES ARISE FROM (I) BREACH OF CONTRACT, (II) BREACH OF WARRANTY, (III) NEGLIGENCE, OR (IV) ANY OTHER CAUSE OF ACTION, IF THE EXCLUSION AND LIMITATIONS ARE NOT PROHIBITED BY APPLICABLE LAW. IF FRANCHISEE IS DISSATISFIED WITH THE ONE HOUR WEBSITE, DOES NOT AGREE WITH ANY PART OF THIS **SECTION 10.9**, OR HAS ANY OTHER DISPUTE OR CLAIM WITH OR AGAINST FRANCHISOR WITH RESPECT TO THE ONE HOUR WEBSITE, FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY IS TO DISCONTINUE USING THE ONE HOUR WEBSITE.

F. Franchisor may change the One Hour Website or delete features in any way, at any time and for any reason. As Franchisee uses the One Hour Website, Franchisee may receive, access or use information, materials, graphics, software, data and content originated by Franchisor or other parties. WITHOUT LIMITING THE GENERALITY OF **SECTIONS 10.9.D.** AND **10.9.E.**, FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR IS NOT RESPONSIBLE OR LIABLE FOR (I) ANY CONTENT, INCLUDING, WITHOUT LIMITATION, ANY INFRINGING, INACCURATE, OBSCENE, INDECENT, THREATENING, OFFENSIVE DEFAMATORY, TORTIOUS, OR ILLEGAL CONTENT, OR (II) ANY THIRD PARTY CONDUCT, TRANSMISSIONS OR DATA. IN ADDITION, WITHOUT LIMITING THE GENERALITY OF **SECTIONS 10.9.D.** AND **10.9.E.**, FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR IS NOT RESPONSIBLE OR LIABLE FOR (I) ANY VIRUSES OR OTHER DISABLING FEATURES THAT AFFECT ACCESS TO OR USE OF THE ONE HOUR WEBSITE, (II) ANY INCOMPATIBILITY BETWEEN THE ONE HOUR WEBSITE AND OTHER WEBSITES, SERVICES, SOFTWARE AND HARDWARE, (III) ANY DELAYS OR FAILURES FRANCHISEE MAY EXPERIENCE IN INITIATING, CONDUCTING OR COMPLETING ANY TRANSMISSION OR TRANSACTIONS IN CONNECTION

WITH THE ONE HOUR WEBSITE IN AN ACCURATE OR TIMELY MANNER, OR (IV) ANY DAMAGES OR COSTS OF ANY TYPE ARISING OUT OF OR IN ANY WAY CONNECTED WITH FRANCHISEE'S USE OF ANY SERVICES AVAILABLE FROM THIRD PARTIES THROUGH LINKS CONTAINED ON THE ONE HOUR WEBSITE. THE LIMITATIONS, EXCLUSIONS AND DISCLAIMERS IN **SECTIONS 10.9.D.**, **10.9.E. AND 10.9.F.** APPLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND ARE NOT INTENDED TO DEPRIVE FRANCHISEE OF ANY MANDATORY PROTECTIONS PROVIDED TO FRANCHISEE UNDER APPLICABLE LAW.

G. Franchisor may terminate or suspend Franchisee's access to the One Hour Website at any time, with or without cause, with or without notice. Upon a termination or suspension, Franchisee's right to use the One Hour Website shall immediately cease and any information Franchisee may have stored on the One Hour Website may be permanently deleted.

## Article 11. **Licensed Marks**

11.1 ***Use of Licensed Marks.*** Franchisee shall have the non-exclusive right and license for the Term to use the Licensed Marks solely for purposes of operating the Franchised Business under the System in compliance with this Agreement. Franchisee may use the Licensed Marks only in the manner and format specified in the Operations Manual or otherwise with the prior written consent of Franchisor. Franchisor reserves the right to specify the use of the Licensed Marks and to pre-approve in writing any non-specified use of the Licensed Marks. Franchisee shall not use or permit to be used any of the Licensed Marks in connection with any other business owned or operated by Franchisee or its affiliates. Franchisee shall not use any marks to identify the Franchised Business other than the Licensed Marks as specified by Franchisor.

11.2 ***Goodwill***. Franchisee acknowledges and agrees that Franchisee shall not acquire any proprietary rights in the Licensed Marks by virtue of the license granted to Franchisee in this Agreement or otherwise. All goodwill established by Franchisee's use of the Licensed Marks shall inure to the sole and exclusive benefit of Franchisor. Franchisee agrees not to contest at any time either the validity, or Franchisor's ownership, of any of the Licensed Marks. Any unauthorized use of the Licensed Marks by Franchisee shall constitute an infringement of Franchisor's rights in and to the Licensed Marks.

11.3 ***No Use in Business Name***. Except as provided in **Section 11.4**, Franchisee may not use the Licensed Marks in connection with Franchisee's corporate, business organization or trade name, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form. Franchisee may not use the Licensed Marks when selling any unauthorized product or service or in any other manner that Franchisor has not expressly authorized in writing.

11.4 ***Identification.*** Franchisee shall identify itself as the independent owner of the Franchised Business, give notices of trademark and service mark registrations in the manner Franchisor specifies, and make the fictitious or assumed name registrations as may be required under applicable law or as may be required by Franchisor to distinguish itself from Franchisor.

11.5 ***Infringements.*** Franchisee shall give notice to Franchisor immediately upon learning of any alleged infringement or a challenge to Franchisee's use of the Licensed Marks, or any claim by any third party of any rights in the Licensed Marks or any similar mark, and shall not communicate with any person other than Franchisor or Franchisor's attorneys and Franchisee's attorneys in connection with the alleged infringement, challenge or claim. Franchisor has the sole and absolute discretion to take the action, if any, it deems appropriate and the right to exclusively control any litigation, trademark office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any of the Licensed Marks. Franchisee shall sign all instruments and documents, provide assistance and take any action that, in the opinion of Franchisor's attorneys, may be necessary or advisable to protect and maintain Franchisor's interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain Franchisor's interest in the Licensed Marks.

Franchisor will bear all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Licensed Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this **Section 11.5**, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or indirect, incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Licensed Marks.

11.6 ***Modification or Discontinuance.*** Franchisor has the right to modify or discontinue its or Franchisee's use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require Franchisee to commence use of new or substitute Licensed Marks. Franchisee agrees that Franchisor may change the mark under which Franchisee operates the Franchised Business to another mark, and, if such change is made, within the time specified by Franchisor, Franchisee shall cease using the old mark and use the new Licensed Mark as directed by Franchisor at Franchisee's expense. If such change is made, reference in this Agreement to the Licensed Marks shall be deemed to refer to such new mark.

11.7 ***Electronic Commerce.*** Franchisee shall comply with the requirements stated in the Operations Manual regarding its use of the Licensed Marks in electronic commerce, which includes all forms of electronic or computer communication, including the One Hour Website, e-mail, internet, social media, and other media. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee shall give Franchisor copies of all proposed applications for registrations of any of the Licensed Marks or any variation thereof for use in and for electronic commerce, including your internet or website address and domain. Franchisee shall obtain Franchisor's prior written approval before filing any application, which approval Franchisor may withhold in its sole and absolute discretion. Franchisee may not use the Licensed Marks, any portion thereof, or any words confusingly similar to the Licensed Marks in any e-mail address, domain name, social media handle or other identification of Franchisee or the Franchised Business in any electronic medium, unless approved in advance, in writing, by Franchisor. Only internet or website addresses and domain names approved by Franchisor shall be used by Franchisee to identify the Franchised Business in electronic commerce. Any domain name or e-mail address registered to Franchisee incorporating any Licensed Mark, in whole or in part, shall be automatically owned by Franchisor. Franchisor reserves the right to require as a condition to any Franchisor approval required by this **Section 11.7** that Franchisee immediately assign ownership of the e-mail address, domain name, social media handle, or other

electronic identification to be used in electronic or computer communications or social media accounts or platforms to Franchisor. Franchisor may withhold any approval required by this **Section 11.7** in its sole and absolute discretion. Franchise shall promptly discontinue any advertising or promotion using electronic commerce, including social media, whether or not previously agreed to by Franchisor, upon notice from Franchisor that it reasonably considers that such use of electronic commerce does not conform to the System Standards.

## Article 12. **Rights to the System**

12.1 ***Ownership of System***. Franchisee shall not contest Franchisor's unrestricted and exclusive ownership of the System or Franchisor's right to grant licenses to use the System. All Improvements and additions to or associated with the System, whenever and by whomever made, and all service mark and trademark registrations and goodwill at any time associated with the System, including the Licensed Marks and our copyrighted materials, are the property of Franchisor. Franchisee acknowledges that it does not have any right to license others to use any part of the System, and that all materials relating to the System shall at all times remain the sole property of Franchisor. Upon expiration or termination of this Agreement, no monetary amount will be assigned or attributed to any goodwill associated with Franchisee's use of the System.

12.2 ***Disputes Concerning System.*** Franchisor has the sole right to handle and resolve litigation and other disputes with third parties (including imitators and infringers) concerning the use of all or any part of the System. Franchisor will not have any obligation to initiate suit against imitators or infringers, and may settle any dispute by grant of a license or otherwise. Franchisee shall, at its reasonable expense, extend its full cooperation to Franchisor in all such matters.

12.3 ***System and Business Improvements.*** During the Term, any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of, or directly or indirectly related to, the System, including copyrights, any Licensed Mark, or any product sold under a trademark owned by Franchisor or an affiliate of Franchisor, or portions thereof (collectively, an "**Improvement**") made by Franchisee, or its Owners, managers, employees, independent contractors or related business entities, while employed by, working at the direction of or owning the Franchised Business, shall be the sole and exclusive property of Franchisor, regardless of any such party's participation or sole participation in its development, and will be deemed assigned to Franchisor. Upon Franchisor's request, Franchisee and its Owners shall, and shall cause any other such party described in the preceding sentence to, sign any instruments and documents that Franchisor requests which assist Franchisor to perfect or protect all intellectual property rights in such Improvement. Franchisee, its Owners and employees shall not be entitled to any compensation for the use or licensing of any Improvement. All of the Improvements and any related information remain Franchisor's sole property. Both during the Term, and following the termination of your contractual relationship with us, you shall not use, attempt to register, or register, anywhere in the world, any mark that incorporates one or more terms, elements, or characteristics of any Licensed Mark, any of our copyrights or any mark which could give rise to a likelihood of confusion, in our reasonable and sole and absolute discretion, with any Licensed Mark, or any mark owned by ourselves, or our parent, or related companies. Any such mark shall be our sole and exclusive property, and will be deemed assigned to us upon its creation.

12.4 ***Complaints.*** Franchisee shall immediately provide Franchisor with copies of any complaints relating to the operation or activities of the Franchised Business that Franchisee receives from any of its customers, any Better Business Bureau or any federal, state or local regulatory or governmental agency.

## Article 13. **Operations Manual and Confidentiality**

13.1 ***Operations Manual***. Franchisor will entrust to Franchisee a copy of the Operations Manual and Franchisee shall comply with all provisions of the Operations Manual. Franchisor may make the Operations Manual available solely through a secure Internet link from time to time during the Term. Franchisor may communicate to Franchisee mandatory and suggested standards, methods, procedures and specifications applicable to the System and System Standards and information relative to other obligations of Franchisee under this Agreement and to the operation of the Franchised Business. Any required specifications, standards, and/or opening procedures exist to protect Franchisor's interests in the System and the Licensed Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. Franchisor may make such communications through the Operations Manual, System Standards or written or electronic media. For the purposes of this Agreement, the Operations Manual and all Franchisor communications are collectively referred to as the "**Operations Manual**." The Operations Manual at all times shall remain the exclusive property of Franchisor, and Franchisee shall return the Operations Manual (and all copies thereof which Franchisee has made) to Franchisor promptly upon request by Franchisor and, in any event, upon termination of expiration of this Agreement for any reason whatsoever. Franchisee shall not at any time copy, duplicate, record or otherwise reproduce or transcribe the Operations Manual or any of the forms supplied by Franchisor hereunder without Franchisor's prior written consent. If the Operations Manual is supplied electronically, Franchisee may print one copy solely to use in its operation of the Franchised Business. Franchisor reserves the right from time to time to revise the Operations Manual, and Franchisee expressly agrees to make corresponding revisions to its copy of the Operations Manual and to comply with each new or changed standard immediately upon receipt of such revision. In the event of any discrepancy between the Operations Manual held by Franchisee and the Operations Manual maintained by Franchisor, Franchisee agrees that the terms of the Operations Manual maintained by Franchisor shall control.

13.2 ***Confidential Information.*** Franchisee acknowledges that certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including System Standards and the contents of the Operations Manual, is derived from information that Franchisor has disclosed to Franchisee and that all such information is of a proprietary and confidential nature and a trade secret of Franchisor (the "**Confidential Information**"). Franchisee and each of its Owners, officers, directors, members, partners, managers and employees shall maintain the absolute confidentiality of all the Confidential Information both during the Term and after the termination or expiration of this Agreement and shall use the Confidential Information only if necessary to operate the Franchised Business, and shall not disclose the Confidential Information for any reason whatsoever, except as hereinafter provided. Franchisee may disclose the Confidential Information to its Owners, officers, directors, members, partners, manager and employees only if necessary to operate the Franchised Business and only in accordance with this Agreement. Franchisee shall

cause those persons receiving the Confidential Information to sign a Confidentiality Agreement. Franchisee shall not use the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit therefrom not specifically approved in writing by Franchisor during or after the Term of this Agreement.

13.3 ***Use of Confidential Information.*** Franchisee shall not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with its ownership and operation of the Franchised Business during the Term, and Franchisee acknowledges that its use or duplication of the Confidential Information in any other business or capacity shall constitute an unfair method of competition with Franchisor, its affiliates and Franchisor's other franchisees.

Franchisee acknowledges that Franchisor is disclosing the Confidential Information to Franchisee solely on the condition that Franchisee agrees, and Franchisee hereby agrees, that the Confidential Information received from Franchisor: (i) shall only be used by Franchisee for purposes of performing its obligations under this Agreement; (ii) shall not be used by Franchisee in any other business, manner or capacity; (iii) shall have its absolute confidentiality maintained by Franchisee both during and after the Term; (iv) shall not be copied by Franchisee without Franchisor's written authorization; and (v) shall not be disclosed by Franchisee to any third party without the prior written consent of Franchisor. Franchisee must use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further must limit the dissemination of the Confidential Information within its own organization to individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Franchisee shall cause each person receiving the Confidential Information to sign the form of confidentiality agreement provided by Franchisor.

Franchisee acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Franchisee is completely within the discretion of Franchisor.

Franchisee further acknowledges and agrees that the identity, background and/or work capabilities of Franchisor's employees constitutes, by way of example and not limitation, the Confidential Information and, accordingly, that Franchisee shall not directly or indirectly solicit, retain or hire for employment or for any other type of working relationship any employee of Franchisor or any of its affiliates without the prior express written consent of the Franchisor.

## Article 14. **Non-Competition**

14.1 ***Non-Competition During the Term***. Commencing on the Effective Date and for balance of the Term, Franchisee (and its Owners if Franchisee is a business entity) shall not, directly or indirectly, own or be involved with a Competitive Business. A "**Competitive Business**" means a business that offers residential air conditioning and heating products and services competitive with or similar to those offered by Franchisor, its affiliates, its franchisees, its licensees or its affiliates' franchisees, licensees and members, without regard to geographic location. For purposes of this **Article 14**, Competitive Business does not include the continued,

temporary operation of a Prior Business during a reasonable conversion time period after the Effective Date. Franchisee agrees to terminate any day-to-day operations of a Prior Business within the six (6) month anniversary of the Effective Date. Franchisee (and its Owners if Franchisee is a business entity) may own and/or operate other air conditioning and heating businesses that service commercial (as opposed to residential) customers, so long as such other businesses: (i) do not use any portion of the Franchised Business, including the System, Confidential Information or the Licensed Marks (such as the use of vehicles, invoices, and uniforms bearing the Licensed Marks) or any other assets, tangible or intangible, of the Franchised Business; and (ii) do not interfere with Franchisee's operation of the Franchised Business (or diminish Franchisee's ability to fully comply with Franchisee's obligations under this Agreement, including **Sections 7.1.C., 7.1.D.** and **7.1.E.** of this Agreement); and further provided that any such commercial air conditioning and heating services business is a legal entity separate and distinct from the Franchised Business and that its books, records, and financial accounts are maintained completely separate from the Franchised Business. To verify compliance with this **Section 14.1**, Franchisee shall provide written notice of the name and address of such business, within thirty (30) days of the Effective Date, or if later formed, within fifteen (15) days of formation or conduct of business, and make the books, records, and financial accounts of any such authorized commercial air conditioning and heating services business available to Franchisor upon reasonable prior notice.

14.2 ***Post-Term Non-Competition.*** In the event that this Agreement is terminated for any reason other than the natural expiration of its Term, or in the event that this Agreement is subject to a Transfer, then for a period of twenty-four (24) months after termination or Transfer Franchisee (and its Owners if Franchisee is a business entity) agrees that it (or they) shall not, either directly or indirectly:

A. own or be involved with a Competitive Business that is located in or serves customers within the Territory or any zip code where the Franchised Business served customers during the Term; or

B. divert or attempt to divert any customer serviced by the Franchised Business during the Term (including, without limitation, customers serviced by a Prior Business) to a Competitive Business; or

C. induce or attempt to induce any such customer serviced by the Franchised Business during the Term to modify their behavior in a way that would result in a reduction of the business such customer may do with the Franchised Business or any successor business using the Franchisor's Licensed Marks; or

D. induce or attempt to induce any customer of Franchisor, Franchisor's affiliates, or Franchisor's franchisees to modify their behavior in a way that would result in a reduction of the business such customer may do with Franchisor, Franchisor's affiliates, or Franchisor's franchisees.

**Sections 14.2.A., 14.2.B., and 14.2.C.** shall not apply in the event of termination in compliance with the procedure in **Section 3.4** of this Agreement.

14.3 ***Severability of Restrictive Covenants.*** Franchisee acknowledges that the invalidity or unenforceability of any portion of **Sections 14.1** or **14.2** shall not affect the validity or enforceability of any other portion of **Sections 14.1** or **14.2** or any other section of this Agreement and any invalid or unenforceable portion of **Sections 14.1** or **14.2** shall be deemed to be severable and subject to **Section 19.1** of this Agreement.

14.4 ***Amendment of Restrictive Covenants.*** Franchisee acknowledges that the provisions of this **Article 14** have been included for the sole benefit of Franchisor and that Franchisor has the right, from time to time during the Term, in its sole and absolute discretion, to waive in whole or in part or otherwise reduce the scope of any covenant written in this **Article 14** or any portion of this Agreement without Franchisee's consent effective upon Franchisor giving notice to Franchisee.

14.5 ***Acknowledgements regarding Restrictive Covenants.*** Franchisee agrees that the covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford it the opportunity to derive income from other endeavors.

## Article 15. **Transfer**

15.1 ***Transfer by Franchisor.*** Franchisor has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party as Franchisor may in its sole and absolute discretion deem appropriate. In the event of such transfer, Franchisor shall be released from any liability under this Agreement for the obligations transferred.

15.2 ***Transfer by Franchisee***. Franchisee acknowledges that the granting of the rights hereunder is based upon Franchisor's investigation of Franchisee's qualifications and, if Franchisee is a business entity, the qualifications of the Owners, and that such rights are personal to Franchisee. Except as otherwise provided herein, Franchisee, and any business entities identified on **Exhibit C**, shall not sell, divide, encumber, assign, hypothecate, mortgage, sub-license, or transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted herein or any part of this Agreement, or any rights or privileges incidental to this Agreement, or the Franchised Business or any of its interest, or Franchisee's rights or interest in this Agreement, and if Franchisee is a business entity, Franchisee and Franchisee's Owners shall not transfer any of the shares of the corporation or any other entity identified on **Exhibit C**, or ownership or membership interests in such entities, in whole or in part, or "control" (as defined below) of such corporations or entities (collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity (including but not limited to another Owner of Franchisee), or any stock ownership or stock option plan without the prior written consent of Franchisor. As used in this **Section 15.2**, "control" shall mean the direct or indirect ownership, whether by ownership of securities, contract, proxy or otherwise, of shareholding or contractual rights of Franchisee that assures (i) the majority of the votes in the resolutions of Franchisee, or (ii) the power to appoint the majority of the managers or directors of Franchisee, or (iii) the power to direct or cause the direction of the management or policies of the

Franchisee. Franchisor shall not unreasonably withhold its consent to such Transfer having regard to factors which may include, without limitation, the viability of the investment by the transferee based on the price for the Franchised Business payable by the transferee as shown in any buy/sell agreements, asset purchase agreements, stock purchase plans, and other similar agreements that may be required from Franchisee and transferee to support the Transfer request. Any actual, attempted or purported Transfer without Franchisor's prior written consent shall constitute a default of this Agreement and shall be null and void. Franchisor reserves the right to require any or all of the following as a condition to its consent to any Transfer:

A. the proposed transferee and its owners (if transferee is a business entity) are acceptable to Franchisor based upon standards for new franchisees and owners used by Franchisor at such time;

B. Franchisee is not in default in the performance or observance of any of Franchisee's obligations under this Agreement (including, without limitation, making all payments in full when due), and any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates) relating to the Franchised Business or any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates);

C. Franchisee has settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to Franchisor and all trade creditors of the Franchised Business;

D. Franchisee (and its Owners if Franchisee is a business entity), and any and all guarantors, have delivered to Franchisor a general release, in a form satisfactory to Franchisor, of all claims Franchisee and its members, officers, directors, owners, employees, affiliates, successors and assigns may have against Franchisor, its members, officers, directors, owners, employees, affiliates, successors and assigns;

E. the proposed transferee has agreed, in writing, that the proposed transferee, its Owners (if Franchisee is a business entity), and any senior management level employees will complete Franchisor's training program, to the Franchisor's reasonable satisfaction, and the Franchisee has agreed in writing to pay Franchisor's reasonable costs of administering such program and all transportation and accommodation costs and living expenses of the transferee and its manager and senior management level employees for such initial training program;

F. the proposed transferee signs Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (and signs, completes, and submits (as applicable) to Franchisor all other agreements, instruments and documents then customarily used or required by Franchisor in the granting and transferring of franchises) on the then prevailing terms, conditions and fees (but without obligation to pay initial fees), and if transferee is a business entity, all direct and indirect owners of transferee, including business entities and individuals, sign a guaranty;

G. except in the case of a Transfer under **Section 15.3** or a transfer to Franchisor under **Section 15.4**, Franchisee has paid Franchisor's then-current transfer fee (presently

set at $10,000) ("**Transfer Fee**") to reimburse Franchisor for its expenses in connection with the Transfer (provided, however, that a Transfer Fee will not be charged solely for mortgages or other encumbrances). Such Transfer Fee shall be paid in two installments, with fifty percent (50%) due at the time Franchisee proposes such Transfer to Franchisor, and the remaining fifty percent (50%) due when Franchisee and its transferee submits executed documents to effect the Transfer, including transferee's franchise agreement and Franchisee's general release;

H. for a Transfer that involves the sale of assets of the Franchised Business, the Transfer is completed in accordance with any applicable bulk sales legislation; and

I. there are no outstanding disputes between Franchisor, or any of its affiliates, and Franchisee and/or transferee and any owners and/or affiliates of either.

In the event a Transfer results in a complete change in ownership of the Franchised Business, it is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts that are owed by Franchisee, Franchisee will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of the Transfer; provided, however, Franchisee's obligations under **Sections 13.2 and 14.2** shall survive the transfer of this Agreement.

15.3 ***Transfer to a Corporation or Limited Liability Company***. If Franchisee is an individual, Franchisee may, coincident with or at any time after execution of this Agreement, after obtaining the written consent of Franchisor and provided all obligations of Franchisee to Franchisor have been satisfied, transfer and assign all of Franchisee's rights and obligations hereunder to a corporation or limited liability company, provided Franchisee is and throughout the Term remains a principal executive officer of such corporation or limited liability company and the beneficial and registered owner of greater than fifty percent (50%) of the issued and outstanding voting and equity rights and interests in such corporation or limited liability company (and any rights or options convertible into such voting or equity rights or interests), and provided that Franchisee forthwith:

A. causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement (except as provided in **Section 15.3.D.** of this Agreement); signs and causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to sign any agreement as may be specified by Franchisor relating to the assumption by the corporation or limited liability company of any rights and obligations under this Agreement; and causes the corporation or limited liability company to inform Franchisor and to keep it informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation or limited liability company from time to time;

B. signs such documents in respect of the transfer and assignment as Franchisor may direct, including the attached Owner's Guaranty;

C. pays to Franchisor all of Franchisor's reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by Franchisor in connection with the Transfer; and

D. if requested by Franchisor, Franchisee causes the corporation or limited liability company to sign Franchisor's then-current form of franchise agreement (and sign and complete all other agreements, instruments and documents then customarily used by Franchisor in the granting and transferring of Franchised Businesses) on the then prevailing terms, conditions and fees (but without obligation to pay initial fees) for a period equal to the unexpired portion of the Term.

15.4 ***Death or Incapacity.*** If Franchisee dies or becomes incapacitated (or if Franchisee is a corporation, limited liability company, partnership or other entity, the death or incapacity of a principal Owner) so that Franchisee, a principal Owner, or a qualified manager appointed or employed by Franchisee, is not able to devote full time and attention to the operation of the Franchised Business, then the heirs or personal representatives of Franchisee shall Transfer the rights granted hereunder to a third party acceptable to Franchisor within a reasonable time, not to exceed twelve (12) months from the date of death or Incapacity subject to earlier expiration or termination pursuant to **Article 16**. Franchisor reserves the right to require any or all of the conditions set out in **Section 15.2** to be satisfied prior to providing its consent to such Transfer. In the event that any of the required conditions stated in **Section 15.2** are not satisfied (except in **Section 15.2.E.**), Franchisor shall have the right in its sole and absolute discretion to terminate this Agreement by notice, in the case of death, sent to the estate of Franchisee and, in the case of Incapacity of Franchisee, to Franchisee. For purposes of this **Section 15.4**, "**Incapacity**" means that, in the reasonable opinion of Franchisor, Franchisee or its principal Owner, by reason of physical or mental illness or disability, is unable to operate the Franchised Business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period. In the event of Franchisee's or the principal Owner's death or Incapacity, Franchisor may elect to service Franchisee's customers itself or through the use of another franchisee if those customers cannot otherwise be adequately serviced as a result of such Incapacity or death. Franchisor or such other franchisee shall be entitled to be paid for such services in accordance with Franchisor's or such other franchisee's then current fees for such services.

15.5 ***Right of First Refusal.*** If Franchisee or one or more of its Owners proposes to make a Transfer to any individual or entity other than a corporation, partnership or other entity wholly owned by Franchisee or its Owners, Franchisor has the right for a period of thirty (30) days after Franchisee or such Owners have submitted all information requested by Franchisor to exercise a right of first refusal and substitute itself for the proposed transferee in the transaction. If Franchisor declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify Franchisor, and Franchisor has the further right to exercise its right of first refusal regarding the revised transaction for a period of fifteen (15) days. If Franchisor exercises its right of first refusal, Franchisor shall have not less than ninety (90) days to close the transaction, and Franchisor has the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. If Franchisor does not exercise its right of first refusal, Franchisee or the transferring Owners may make a

Transfer on the terms and conditions of the offer considered by Franchisor if Franchisee and its Owners have complied with all of the provisions of **Section 15.2**.

## Article 16. **Termination and Expiration**

16.1 ***Termination by Franchisor Without Opportunity to Cure***. Franchisee shall be deemed to be in default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted herein, effective immediately, without giving Franchisee notice of, or the opportunity to cure, the default, if Franchisee either:

A. (i) makes or is deemed to have made a general assignment for the benefit of creditors; (ii) if a petition is filed against Franchisee under the Bankruptcy Code and not dismissed within sixty (60) days of filing; (iii) if a petition is filed by Franchisee under the Bankruptcy Code; (iv) if Franchisee is declared or adjudicated bankrupt; (v) if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed of or for Franchisee; (vi) if Franchisee commits any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings; or (vii) if Franchisee admits in writing an inability to pay debts generally as they become due;

B. (i) has any of the products or chattels of the Franchised Business at any time seized or taken in execution or in attachment by a creditor of Franchisee; (ii) a writ of execution is issued against such products or chattels; or (iii) if Franchisee, without the prior written consent of Franchisor, gives any security interest in any of such products or chattels or sells any of such products or chattels, except in the normal course of business, and, as a consequence of these acts, in the judgment of Franchisor, the operation of the Franchised Business or any security interest which Franchisor may have in respect of this Agreement is materially impaired;

C. willfully or fraudulently misrepresents any fact, condition or report made in any application given to Franchisor or required to be made by this Agreement;

D. has received from Franchisor during any consecutive twelve (12) month period three (3) or more notices relating to a default under **Section 16.2** (whether such notices relate to the same or different defaults and whether or not such defaults have been cured by Franchisee), such termination to be effective immediately upon the giving of notice by Franchisor;

E. under reports net sales two (2) or more times in a fiscal year;

F. dies or becomes incapacitated and a Transfer is not consummated as described in **Section 15.4**;

G. by its actions, or its failure to take an action that it is required to take, adversely affects the goodwill associated with Franchisor, the Licensed Marks or the Franchised Business;

H. (or any of its affiliates) defaults under any other agreement with Franchisor (or its affiliates) and Franchisor (or its affiliates) has the right to terminate such other agreement without giving Franchisee (or its affiliates) an opportunity to cure the default;

I. abandons the Franchised Business, or by its conduct indicates an intent to do so;

J. fails to meet the Minimum Sales Performance Standards pursuant to **Section 7.5** of this Agreement; or

K. has received from Franchisor during any consecutive twelve (12) month period, two (2) or more notices that Franchisee has serviced customers in the territory of another franchisee of Franchisor contrary to **Section 3.3.**

16.2 ***Termination by Franchisor After Opportunity to Cure.*** Franchisee shall be deemed to be in default of this Agreement, and Franchisor, at its option, may terminate this Agreement and all rights granted herein effective as of the time noted, if Franchisee:

A. fails to pay when due any monies owed to Franchisor or any affiliate of Franchisor, including, without limitation, the Initial Fees, any Continuing Franchise Fees or any Marketing Fund Contributions, or fails to pay any monies owed Franchisor under **Section 8.6** and such default is not cured within ten (10) days after receiving notice thereof from Franchisor;

B. is in default in paying any monies owed to any Supplier under the normal payment terms and conditions of such Supplier and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

C. fails to service satisfactorily all of Franchisee's customer accounts to the satisfaction of Franchisor and in accordance with the System and System Standards and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

D. is in default of any of Franchisee's other obligations contained in this Agreement or in any other agreement or instrument entered into or made between Franchisee (or its affiliates) and Franchisor (or its affiliates) relating to the Franchised Business including, without limitation, (i) any promissory note or security agreement, or (ii) training obligations (including but not limited to the training obligations in **Section 7.1.K.** of this Agreement), and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same;

E. (or any of its affiliates) is in default under any other franchise agreement or other agreement with Franchisor (or its affiliates) and, has not cured such default within the applicable cure period; or

F. fails to pay two (2) or more times in Franchisee's fiscal year the full amount of any Continuing Franchise Fee that Franchisor's audit or inspection reveals was underpaid and such default is not cured within ten (10) days after receiving notice thereof from Franchisor.

16.3 ***Other Relief.*** Any termination under **Sections 16.1** and **16.2** of this Agreement shall be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which Franchisor may otherwise be entitled against Franchisee. Franchisor shall have the right to retain all moneys paid to it by Franchisee under this Agreement or otherwise as consideration for the rights and benefits previously conferred on Franchisee hereunder. The foregoing remedy shall not exclude any of the remedies which Franchisor may have at law or in equity by reason of the default, breach or non-observance by Franchisee of any provision of this Agreement.

16.4 ***Franchisee's Obligations on Termination or Expiration.*** Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall cease to be a franchisee of Franchisor and shall immediately:

A. pay or return to Franchisor all amounts and charges as have become due hereunder through the date of termination or expiration of this Agreement or will become due hereunder or under any other agreement between Franchisee (or its affiliates) and Franchisor (or its affiliates) and are then unpaid;

B. discontinue using and return to Franchisor all copies of the Operations Manual, including any copies printed from the One Hour Website, any written embodiment of System Standards, and the Confidential Information;

C. notify the telephone company, the Yellow Pages, and all listing agencies, including internet accessible or "on-line" agencies, of the termination or expiration of Franchisee's right to use all telephone numbers, including Vanity telephone numbers or any national dial Franchisor telephone numbers and all classified and other directory listings of the Franchised Business, including the Yellow Pages, and, assign any telephone numbers of the Franchised Business to Franchisor, except that this type of assignment will not be required for any telephone number and listing that is already part of a telephone system owned and/or operated by Franchisor or a number which Franchisee notified Franchisor, upon signing the Agreement, it wished to retain, and which Franchisee did not market during the term;

D. transfer or assign ownership of, as requested by Franchisor (and to the extent Franchisor does not already own them), any websites, accounts and user names used in electronic commerce, social media handles, and domain names related to the Franchised Business, or another residential HVAC business operated during the Term, to Franchisor (Franchisee shall not receive any compensation for such transfer or assignment), or in the case of Retained Domains, remove any Licensed Marks and references to the Licensed Marks of the Franchised Business;

E. satisfactorily address and resolve all warranty claims or customer disputes, at Franchisor's option, or reimburse Franchisor for the cost of doing so;

F. cease to operate the Franchised Business under the System, including any patent protected materials, or customized templates including the StraightForward Pricing® Guide, or otherwise and not, directly or indirectly, represent to the public that such Franchised Business is operated in association with Franchisor or the System, or hold itself out as a present or former franchisee of Franchisor;

G. cease to use, directly or indirectly, in advertising or in any other manner whatever, any of the Licensed Marks, any colorable imitation thereof or any name or mark similar to any of the Licensed Marks, any other identifying characteristics or indicia of operation of the System (including by way of example and not limitation, use of: copyrighted materials, sales or telephone scripts; trade dress used by Franchisor or its Franchised Businesses; an image of a clock; the color yellow used over a truck; and the phrase "on time" or other phrase indicating timely service or any guaranty of payment, refund or discount based on timelines of service), and any standards, methods, procedures and specifications associated with the System;

H. discontinue using for any purpose, and sell to Franchisor at its request, at the fully depreciated book value thereof, any or all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms or other products or materials which display any Licensed Marks or any distinctive feature or device associated with the System;

I. take all actions as may be necessary to repaint or rewrap all vehicles used by the Franchised Business or owned or leased by Franchisee which display any of the Licensed Marks or which use any color or color scheme that is the same as or similar to the color or color schemes used by Franchisor or its Franchised Businesses (including the colors trademarked by Franchisor or its affiliates) and give Franchisor evidence satisfactory to Franchisor of compliance with Franchisee's obligation hereunder within five (5) days after the date of termination or expiration of this Agreement (the "**De-Identification Period**") (Franchisee acknowledges that Franchisor has the right, in addition to all other remedies, to assess and collect a past due de-identification charge of $500, per vehicle, per day, for each day Franchisee fails to comply with this **Section 16.4.I.** after the De-Identification Period.);

J. take all such action as may be necessary to cancel any fictitious or assumed name registration which contains any part of the Licensed Marks under any federal or state laws or regulations and give Franchisor evidence satisfactory to Franchisor of compliance with Franchisee's obligation hereunder within thirty (30) days after the termination or expiration of this Agreement;

K. permit Franchisor, at Franchisee's expense, to enter the location from which the Franchised Business is conducted and inspect for, and if necessary remove, any and all personal property of Franchisor and any and all personal property of Franchisee which displays any of the Licensed Marks or any distinctive feature or device associated with the

System, including any and all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies, forms and vehicles and make such reasonable alterations in the exterior and interior decor as Franchisor deems necessary to remove from the premises where the Franchised Business is operated any identification as a Franchised Business;

L. delete any references to Franchisor or the Licensed Marks, domain names, copyrighted materials, or any other proprietary materials from any website used by Franchisee;

M. observe and comply with the provisions of **Sections 13.2, 13.3** and **14.2** of this Agreement;

N. discontinue use of SuccessWare (or other software program specified by Franchisor pursuant to this Agreement); and

O. provide, no later than thirty (30) days after the effective date of termination or expiration, evidence (certified to be true, accurate, and correct by Franchisee, if Franchisee is an individual, or by all Owners if Franchisee is a business entity) satisfactory to Franchisor of Franchisee's compliance with Section 16.4, except as provided in **Section 16.4.I.** of this Agreement.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT OF TERMINATION OF THIS AGREEMENT PRIOR TO EXPIRATION OF THIS AGREEMENT, FRANCHISOR WILL SUFFER DAMAGES IN THE FORM OF, AMONG OTHER CATEGORIES, LOST CONTINUING FRANCHISE FEES AND LOST MARKETING FUND CONTRIBUTIONS THROUGH THE DATE OF EXPIRATION OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT IS INTENDED OR SHALL BE CONSTRUED AS A BARRIER TO THE RECOVERY OF CONTINUING FRANCHISE FEES, MARKETING FUND CONTRIBUTIONS, OR ADDITIONAL CATEGORIES OF DAMAGES.

## Article 17. **Relationship and Indemnification**

17.1 ***Independent Parties.*** Franchisee is and shall at all times remain an independent contractor and is not and shall not represent itself to be the agent, joint venturer, partner or employee of Franchisor, or to be related to Franchisor other than as its independent franchisee. Franchisee shall not make any representations or take any action which could establish any apparent relationship of agency, joint venture, partnership or employment with Franchisor, and Franchisor shall not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by Franchisee to any other person nor with respect to any other action of Franchisee. Franchisee shall not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in the name or on the credit of Franchisor. No acts of assistance given by Franchisor to Franchisee shall be construed so as to alter this relationship. Franchisee is solely responsible for paying all operating costs of the Franchised Business, including all taxes.

Franchisor will not have the power to hire or fire Franchisee's employees and Franchisee expressly agrees that it will never contend otherwise. Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations including all employment-related decisions, activities and elements of the Franchised Business and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to (in order to protect the brand and the Licensed Marks) when exercising its control of the day-to-day operations of the Franchised Business. Franchisee acknowledges and agrees that Franchisor is not a joint-employer of Franchisee's employees, and Franchisee will never contend otherwise.

17.2 ***Liability of Franchisee.*** If two (2) or more individuals sign this Agreement as Franchisee, the liability of each such individual hereunder shall be joint and several.

17.3 ***Non-Liability.*** Franchisor is not obligated or liable for any injury or death of any person or damage to any property caused by Franchisee's acts, failure to act, negligence or willful conduct, or for any other liability of Franchisee.

17.4 ***Franchisee Indemnity***. Franchisee hereby agrees to indemnify, hold harmless and, upon request, defend Franchisor, its affiliates, and their respective members, owners, shareholders, directors, officers, employees and agents (the "**Indemnified Parties**"), from and against all suits, proceedings, assessments, losses, costs of investigation, claims, liabilities, demands or actions of any nature or kind whatsoever ("**Claims**"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

A. the failure of Franchisee to pay when due any levies, taxes or assessments that Franchisee may be required by applicable law to pay;

B. Franchisee's operation of the Franchised Business, including employment decisions made by Franchisee; or

C. Franchisee's or Franchisee's employees' acts, failure to act, or negligence or willful conduct;

and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims. Under no circumstance will any Indemnified Party be required to seek recovery from third parties or otherwise mitigate its losses to maintain a claim against Franchisee. The obligations in this **Section 17.4** shall survive any termination or expiration of this Agreement.

## Article 18. **Dispute Resolution**

18.1 ***Resolution of Disputes.*** Any dispute between Franchisor and Franchisee relating to or arising out of the relationship created by this Agreement is subject to the dispute resolution provisions written below.

18.2 ***Mediation***. In the event of any dispute, other than disputes that are the subject of Franchisee's default under **Sections 16.1.A., 16.1.C., 16.1.E., 16.1.F.** or **16.2.A.,** or a dispute involving any alleged violation of **Articles 11**, **12, 13, 14**, or **15** or **Section 16.4**, the disputing party shall be obligated to first attempt to resolve such dispute through mediation, which proceeding shall be a condition precedent to commencing any legal action and shall be initiated by submitting a written request for mediation to the Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") according to its procedures, or any other mediation service the parties mutually agree to according to such mediator's procedures.

The mediation process shall begin promptly and shall be concluded within sixty (60) days after the day the request for mediation is made, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation. During the pendency of any dispute resolution proceeding, the parties shall not disclose any information relating to the dispute or the dispute resolution proceeding to any person not party to the mediation. Franchisee expressly agrees not to commence any legal action until mediation has been concluded.

All mediation proceedings shall take place in the city and state where Franchisor has its principal place of business at the time the mediation is commenced. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

The commencement of any dispute resolution procedure will not act to prevent Franchisor, if required to prevent the possible loss of any rights, from instituting or proceeding with any action that may be the subject of the dispute.

18.3 ***Venue.*** Franchisee and each Owner agrees that (i) any state court of general jurisdiction sitting in the county and state where Franchisor has its principal place of business at the time the action is commenced, or (ii) the United States District Court for the county and state where Franchisor has its principal place of business at the time the action is commenced shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement, and Franchisee and each Owner irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court. If applicable law provides Franchisee additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfer or otherwise, Franchisor shall comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

18.4 ***Injunctive Relief.*** Notwithstanding anything in this **Article 18** to the contrary, Franchisor may seek to obtain at any time in any court of competent jurisdiction any order for

specific performance or injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which we reasonably believe may cause Franchisor irreparable harm. Franchisor may have such specific performance or injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and Franchisee's sole remedy in the event of the entry of such specific performance or injunction order, shall be the dissolution of such order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived hereby). Franchisee and each of its Owners acknowledges that any violation of **Articles 11, 12, 13, 14** or **15** or **Section 16.4** would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee and each of its Owners consents to the issuance of an injunction at Franchisor's request (without posting a bond or other security) prohibiting any conduct in violation of any of those Sections and agrees that the existence of any claims Franchisee or any of its Owners may have against Franchisor, whether or not arising herefrom, shall not constitute a defense to the enforcement of any of those Sections.

18.5 ***Business Judgment.*** The parties recognize, and any mediator, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of the System and/or franchise network. Where such discretion has been exercised and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

18.6 ***Limitations Period.*** Except for claims arising from Franchisee's non-payment or underpayment of amounts Franchisee owes Franchisor, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or signed concurrently or the relationship of the parties, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim. Such limitation period, however, shall be considered tolled during the pendency of a mediation proceeding.

18.7 ***No Punitive, Exemplary or Consequential Damages.*** EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES UNDER **SECTION 17.4** AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE AND FRANCHISEE'S RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM SHALL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

18.8 ***No Jury Trial.*** FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

18.9 ***No Class or Consolidated Actions.*** ANY LITIGATION OR MEDIATION BETWEEN FRANCHISOR AND FRANCHISEE, AND ANY OF THEIR RESPECTIVE CURRENT OR FORMER AFFILIATES, SUBSIDIARIES, PARENTS, DIRECTORS, OFFICERS, OR AGENTS SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A GROUP, ASSOCIATION, CONSOLIDATED, JOINT, COMMON, OR CLASS ACTION OR ON ANY REPRESENTATIVE BASIS.

## Article 19. **General**

19.1 ***Severability of Provisions.*** Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, Franchisor and Franchisee agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

19.2 ***Counterparts***. This Agreement may be signed (whether in original "hand-copy" form or through the mutual use of electronic signatures using an electronic signature application Franchisor may designate for use by the parties in its sole and absolute discretion) in counterparts, and each counterpart when so signed and delivered shall be deemed an original.

19.3 ***Force Majeure.*** Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any delay; provided, however, that if the delay exceeds 120 days, Franchisor shall have the right to terminate this Agreement or to require Franchisee to move to a new location approved by Franchisor within an additional period of 120 days.

19.4 ***Successors and Assigns.*** This Agreement shall inure to the benefit of and be binding upon Franchisor, Franchisee and their respective heirs, legal representatives, successors and permitted assigns.

19.5 ***Survival.*** All obligations of Franchisor and Franchisee which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or Transfer and until they are satisfied or by their nature expire.

19.6 ***Notices.*** All notices, consents and approvals permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if stated in writing and, in the case of Franchisee, left with an adult person working at the Franchised Business, or, in the case of either party, sent by a prepaid certified letter or by overnight courier service or transmitted by facsimile, electronic mail or other form of recorded communication (with

a confirming copy given by prepaid certified letter or by overnight courier service), to Franchisor addressed as follows:

One Hour Air Conditioning Franchising, L.L.C.
12 Greenway Plaza, Suite 250
Houston, Texas 77046
Attention: President
Facsimile: (281) 783-2203

and to Franchisee addressed using the address, facsimile number, or electronic mail address identified on **Exhibit A.**

Any notice so given or made which affords the sender evidence of delivery, or attempted delivery, shall be deemed to have been given or made and received on the earlier of (i) the day of delivery or refusal of delivery (ii) one (1) business day after transmission by facsimile or other form of recorded communication service of the same or by overnight courier service, as the case may be, or (iii) on the third (3rd) business day following the day of mailing of the same by certified mail. Any party from time to time by notice in writing given under the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

19.7 ***Right of Set-off***. Notwithstanding any other provision of this Agreement, upon the failure of Franchisee to pay Franchisor as and when due any sums of money under this Agreement or any other amounts owing to Franchisor, Franchisor may, at its election, deduct any and all such sums remaining unpaid from any monies or credit held by Franchisor for the account of Franchisee.

19.8 ***Not Withhold Payment.*** Franchisee agrees that Franchisee shall not on the grounds of the alleged non-performance by Franchisor of any of its obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to Franchisor whether on account of equipment or goods purchased by Franchisee or otherwise.

19.9 ***Non-Waiver.*** The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, or a waiver by such party of its right at any time to require strict compliance with all terms and conditions of this Agreement. Franchisor's acceptance of payments due under this Agreement shall not constitute a waiver of any breaches by Franchisee that precede the acceptance of such payments.

19.10 ***Applicable Law.*** This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the state of Texas, without giving effect to its conflicts of law principles, provided, however, that the state's franchise law shall apply only if its independent jurisdictional requirements are met. If applicable law provides Franchisee with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor will comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

19.11 ***Rights of Franchisor are Cumulative.*** The rights of Franchisor under this Agreement are cumulative and no exercise or enforcement by Franchisor of any right or remedy under this Agreement shall preclude the exercise or enforcement by Franchisor of any other right or remedy under this Agreement or which Franchisor is otherwise entitled by law to enforce. At the option of Franchisor, a default by Franchisee under this Agreement shall constitute a default by Franchisee under any other agreement between the parties.

19.12 ***No Third Party Beneficiaries.*** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, any third party. No agreement between Franchisor and any third party.

19.13 ***Approvals or Consents.*** Requests by Franchisee for approvals or consents shall be in writing and shall be timely made. Approvals and consents by Franchisor shall not be effective unless in writing and duly signed by Franchisor. Except as expressly provided to the contrary herein, Franchisor may grant or withhold such approvals or consents, and may make any determinations permitted hereunder in its sole and absolute discretion and shall not be required to show "reasonableness" or to comply with any other standard.

19.14 ***Effect of Standards.*** Franchisor's specifications of the System shall not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. Franchisor shall not be liable to Franchisee or others on account of the specifications of the System, including the designation of System Standards or the operation of the Franchised Business under the System.

19.15 ***Construction.*** Franchisee acknowledges that it had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement shall be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

19.16 ***Further Assurances.*** The parties agree to diligently do or cause to be done all acts or things and to sign all documents and instruments necessary to implement and carry into effect this Agreement to its fullest extent.

19.17 ***Entire Agreement/Amendments.*** Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of the business relationship defined in this Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations stated herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreements signed by the parties contemporaneously herewith, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and shall place, no

reliance on such discussions. This Agreement, together with any other documents or agreements signed by the parties contemporaneously or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to Franchisee and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, signed by an officer of Franchisor or such other entity granting the franchise rights. Nothing in this Agreement or any related agreement is intended to disclaim any representation made by Franchisor in Franchisor's Franchise Disclosure Document. No change, modification, amendment or waiver of any of the provisions hereof shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment and signed by the party to be charged.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Agreement on the date indicated below, and the Agreement will be effective on the Effective Date.

| Franchisee: | Franchisor: |
|---|---|
| | ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C. |
| By: _____ | By: _____ |
| Name: | Name: |
| Title: | Title: |
| Date: | Date: |

# Exhibit A

## BUSINESS TERMS

This Exhibit A represents a Territory that shall be sometimes referred to as _____ ____ and is further defined herein and in related ancillary documents. The Territory is governed by a Franchise Agreement (including amendments, if any). For convenience of administration, a single Franchise Agreement and any amendments, agreements, or ancillary documents thereto, may be executed to govern multiple territories. In such event and for avoidance of doubt, the terms set forth in the Franchise Agreement and any amendment, as well as those in any ancillary documents or agreements executed in connection with any of them, constitutes a separate and independent contract between the parties as to each such Territory. The Territory Mark to be used:

ONE HOUR AIR CONDITIONING & HEATING

ONE HOUR HEATING & AIR CONDITIONING

Effective Date of this Agreement:

Expiration Date of this Agreement:

Initial Fees:

Approved Location of Franchised Business:

Franchisee Business Name:

Mailing Address:

Owner(s):

Customer Phone Number:

Back Office Number:

Cell Number:

Facsimile Number:

E-mail Address:

Territory Name:

Population:

Zip Codes within the Territory:

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |

Initials/Date: _____ Initials/Date: _____ Initials/Date: _____ Initials/Date: _____

**Territory Name:** **Enter Franchise ID:**

**Acknowledged and Agreed:**

Franchisee:

By: _____
Name:
Title:
Date:_____

(Additional Owners sign below)

By: _____
Name:
Title:
Date:_____

Franchisor:

ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.

By: _____
Name:
Title:
Date:_____

## Exhibit B

## OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of one or more Franchise Agreements, having an effective date(s) of _____ _____ (whether one or more, collectively the "**Franchise Agreement**") by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**One Hour**" or "**Franchisor**"), and _____ a _____ _____ ("**Franchisee**"), the undersigned hereby personally, directly, and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the Term of the Franchise Agreement (or in the case of more than one Franchise Agreement, the Term of each Franchise Agreement) and, including any renewal thereof, as provided in the Franchise Agreement(s), that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement(s) (including those associated with any Holdover Term) and any documents, agreements, instruments and promissory notes signed with or in connection with the Franchise Agreement(s) (collectively, the "**Franchise Documents**"); and (2) agrees to be personally and directly bound by, and personally and directly liable for the breach of, each and every provision in the Franchise Documents applicable to Owners of Franchisee.

The undersigned 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 guarantied;

3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guarantied;

4) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee's obligations;

2) the undersigned shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and

5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor 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 shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied.

All capitalized terms when used shall have the meanings ascribed to them in the Franchise Agreement.

This Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature as dated below.

| WITNESS(ES) | GUARANTOR(S): |
|---|---|
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |

## Exhibit C

## OWNERS OF FRANCHISEE

**FRANCHISEE: _____**

| Name of Owner | Nature of Interest | Beneficial Interest in Franchisee |
|---|---|---|
| _____ | _____ | _____ % |
| _____ | _____ | _____ % |
| | Total | 100% |

**Exhibit H-1**
**FIRST AMENDMENT TO FRANCHISE AGREEMENT**
**(Incentive Program Amendment – With Incentive Payment)**

**FIRST AMENDMENT TO FRANCHISE AGREEMENT**
**(Incentive Program Amendment – With Incentive Payment)**
**[INSERT TERRITORY NUMBERS]**

THIS AMENDMENT is made as of , by and between One Hour Air Conditioning Franchising, L.L.C., a Florida limited liability company ("**Franchisor**"), and **,** an _____ _____ ("**Franchisee**"), with respect to the following facts:

A. Franchisor and Franchisee made a Franchise Agreement effective (the "**Agreement**"), for each of the following territories _____ (whether one or more, collectively "**Territory Group**"), granting Franchisee the right to operate a ONE HOUR AIR CONDITIONING & HEATING® or ONE HOUR HEATING & AIR CONDITIONING® Franchised Business from the Approved Location.

B. Based, in part, on Franchisee's representations and warranties in Section 2.1.B of the Agreement, Franchisee has conditionally qualified for Franchisor's current incentive program. In connection with the incentive program, Franchisee has requested, and Franchisor has agreed to advance to Franchisee, a specific sum, which will be earned by Franchisee over the Term (the "**Conversion Incentive Payment**"), for entering into the Agreement as amended hereby and complying with the terms of the Agreement during the Term.

C. Based on the foregoing, Franchisor and Franchisee desire to amend the Agreement, as herein provided. Unless otherwise defined herein, all capitalized words and phrases shall have the meaning attributed to them in the Agreement.

In consideration of the premises, the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree that:

1. Franchisor shall advance Franchisee a Conversion Incentive Payment of _____Dollars ($_____.00) subject to the terms and conditions of this Amendment. _____ Dollars ($_____.00) of such Conversion Incentive Payment shall be paid within 14 days of the Effective Date. The remaining balance shall be advanced in two equal installments of _____ Dollars ($_____.00) each, the first of which shall be delivered no later than 14 days after the one-year anniversary of the Effective Date, and the second of which ("**Final CIP Installment**") shall be delivered no later than 14 days after the second year anniversary of the Effective Date subject to Section 2 below. Franchisee acknowledges that the Conversion Incentive Payment is earned by Franchisee, pro rata, over the Term. In the event of Franchisee or Owner default under any provision of the Agreement as amended hereby, including, without limitation, Article 8 and any of Sections 7.1, 7.6, 16.1, 16.2, or 16.4, any unearned amount of the Conversion Incentive Payment shall be paid back to Franchisor in accordance with this paragraph. Should such a default occur within the first year of the Term, the entire Conversion Incentive Payment is due and payable immediately upon Franchisor's demand. As of the last day of each subsequent year of the Term, the portion of the Conversion Incentive Payment subject to such demand and return shall be reduced by _____ Dollars ($_____.00).

Franchisee's return of the unearned portion of the Conversion Incentive Payment shall not be Franchisor's exclusive remedy in the event of Franchisee or Owner default and is in addition to any additional rights and remedies Franchisor may have under the Agreement or applicable law.

2. Franchisee's right to receive the Final CIP Installment shall be subject to the following additional conditions, both of which must be satisfied on the second year anniversary of the Effective Date, as determined by Franchisor:

(a) Franchisee's full compliance with all amendments to the Agreement identified in Section 3 below; and

(b) Franchisee's aggregate Net Sales for the Territory Group for the twelve calendar month period immediately preceding the then current anniversary of the Effective Date must be $ _____ or higher.

In the event that either or both of the conditions described in this Section 2 are not satisfied on the second year anniversary of the Effective Date, Franchisor shall have the right to withhold the Final CIP Installment until the earlier of either: (i) Franchisee's full compliance with both 2(a) and 2(b) of this Amendment on any subsequent anniversary of the Effective Date, at which time the Final CIP Installment will be made by Franchisor to Franchisee; or (ii) the termination or expiration of the Agreement, at which time Franchisee will forever forfeit the Final CIP Installment and Franchisee's right to receive the Final CIP Installment will forever be waived. For the avoidance of doubt, Franchisor's determination of whether Franchisee has satisfied the conditions in 2(a) and 2(b) of this Amendment will be made only on the second year anniversary date of the Effective Date or on subsequent anniversary dates (subject to earlier termination or expiration) and not on any date in between anniversary dates. Exercise or enforcement by Franchisor of any right under this Section 2 shall not preclude the exercise or enforcement by Franchisor of any other right or remedy under the Agreement, as amended herein, or which Franchisor is otherwise entitled by law to enforce.

3. Section 7.1 of the Agreement, entitled "***Franchisee's Obligations***," shall be amended, with the sub-sections noted below being added or amended as follows:

A. Sub-section 7.1.K. shall be amended by adding, at the end of the paragraph:

"K. Franchisee must implement Franchisor's designated software operating system (currently SuccessWare21, and including the components referred to as SuccessWare ASP) within 90 days from the Effective Date, and must thereafter use such system, or such other new or updated system or systems as the Franchisor may designate from time to time, for the operation of the Franchised Business. The terms and rates for the use of such system shall be those as approved by the Franchisor from time to time."

B. A new Sub-section 7.1.Y. shall be added to Section 7.1, as follows:

"Y. Franchisee must purchase its entire stock of products, including supplies and equipment, only through vendors who are approved by BuyMax, LLC, or any

successor program, and from BuyMax's Private Brands division, if such products are available from an approved vendor or BuyMax. Franchisee must utilize service providers who are approved by BuyMax, LLC, or any successor program, for all services it requires, if such services are available from an approved vendor. Any products and services not offered by a BuyMax vendor or the BuyMax Private Brands division can be purchased by Franchisee from vendors of Franchisee's choice as long as the products or services meet Franchisor's then current standards and specifications."

C. A new Sub-section 7.1.Z. shall be added to Section 7.1, as follows:

"Z. Franchisee must participate in the sale and service of repair and replacement warranty products (presently referred to as the "Home Comfort Collection") offered by Franchisor's affiliate, Home Warranty of America, Inc. ("**HWA**") under the terms and brand names approved by HWA from time to time."

D. Sub-section 7.1.J. shall be amended by deleting the reference to "thirty (30) days and replacing it with ninety (90) days."

4. Section 8.2 of the Agreement, entitled "***Continuing Franchise Fee***," is hereby deleted in its entirety and replaced with the following new Section 8.2:

"8.2 ***Continuing Franchise Fee***. Commencing on the first of the month following ninety (90) days after the Effective Date, as stated on **Exhibit A**, Franchisee will pay Franchisor semi-monthly a continuing franchise fee ("**Continuing Franchise Fee**"), for all Net Sales (as defined in **Section 8.5**) realized by the Franchisee. The Continuing Franchise Fee will be calculated at a rate of: (i) five percent (5%) for the first Six Million Dollars ($6,000,000.00) of combined Net Sales for the **Territory Group** realized in any given calendar year; (ii) four percent (4%) of combined Net Sales for the **Territory Group** between Six Million Dollars and one cent ($6,000,000.01) and Ten Million Dollars ($10,000,000.00) realized in any given calendar year; and (iii) three percent (3%) of combined Net Sales for the **Territory Group** over Ten Million Dollars ($10,000,000.00) realized in any given calendar year. The Net Sales used to calculate the Continuing Franchise Fee rate, as described above, will reset to Zero Dollars ($0.00) at the start of each calendar year during the Term."

5. Section 8.1 of the Agreement, entitled "***Initial Fees***," is hereby deleted in its entirety and replaced with the following new Section 8.1:

"8.1. Franchisee shall pay Franchisor the initial fee stated on Exhibit A to the Agreement (the "**Initial Fees**") within fourteen (14) days following Franchisee's receipt of the initial portion of the Conversion Incentive Payment. Franchisee acknowledges the Initial Fees are fully earned by Franchisor and are not refundable."

6. For the avoidance of doubt, the parties agree that if any one or more of the franchises in the Territory Group terminate, expire, or transfer (so that Franchisee is no longer considered a franchisee pursuant to the terminated, expired, or transferred franchise), the definition "Territory Group" in Section A above shall mean the then remaining franchises in the Territory Group that have not terminated, expired, or transferred.

7. Franchisee acknowledges and agrees: (i) the representations and warranties made by Franchisee in Section 2.1.B of the Agreement include and apply to all financial information and records related to Franchisee's Prior Business that Franchisee provided or made available to Franchisor in Franchisee's application and other documentation; (ii) such financial information and records, and related representations and warranties, have been relied upon by Franchisor and induced Franchisor to enter into the Agreement, including this Amendment; and (iii) such financial information and records were true, correct, complete, and accurate as of the date provided and as of the date of the Agreement, and no material change to this information has occurred.

**8.** If Franchisee has also executed one or more franchise agreements on even date herewith (whether one or more, collectively "**Affiliate Franchise Agreement**") with one or more affiliates of Franchisor, the following Master Territory Group clause shall apply, but if Franchisee has not executed an Affiliate Franchise Agreement, then the following Master Territory Group clause shall have no force or effect:

> Master Territory Group: Franchisee has also executed one or more Affiliate Franchise Agreements with one or more affiliates of Franchisor for the following territories known as _____ ("**Affiliate Franchise Agreement Territories**"). "As used in Section 4 above only, Territory Group shall mean the Territory Group and the Affiliate Franchise Agreement Territories combined.

9. In all other respects the Agreement shall remain unchanged and is hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Amendment as dated below.

| Franchisee: | Franchisor: |
|---|---|
| | ONE HOUR AIR CONDITIOINING FRANCHISING, L.L.C. |
| By: _____ | By: _____ |
| **Name** | Name: |
| **Title** | Title: |
| Date: _____ | Date: _____ |

**Exhibit H-2**
**FIRST AMENDMENT TO FRANCHISE AGREEMENT**
**(Incentive Program Amendment – Without Incentive Payment)**

**FIRST AMENDMENT TO FRANCHISE AGREEMENT**
**(Incentive Program Amendment – Without Incentive Payment)**
**[INSERT TERRITORY NUMBERS]**

THIS AMENDMENT is made as of , by and between One Hour Air Conditioning Franchising, L.L.C., a Florida limited liability company ("**Franchisor**"), and **,** a(n) ("**Franchisee**"), with respect to the following facts:

A. Franchisor and Franchisee made a Franchise Agreement effective (the "**Agreement**"), for each of the following territories _____ (whether one or more, collectively "**Territory Group**"), granting Franchisee the right to operate a ONE HOUR AIR CONDITIONING & HEATING® or ONE HOUR HEATING & AIR CONDITIONING® Franchised Business from an Approved Location.

B. Franchisee has also executed one or more franchise agreements of even date herewith (whether one or more, collectively "**Affiliate Franchise Agreement**") with one or more affiliates of Franchisor for the following territories _____ ("**Affiliate Franchise Agreement Territories**") and has conditionally qualified for the affiliate's current incentive program, which includes the payment of a conversion incentive payment by one of the affiliates subject to the terms and conditions of the Affiliate Franchise Agreement, as amended.

C. Based on the foregoing, Franchisor and Franchisee desire to amend the Agreement, as herein provided. Unless otherwise defined herein, all capitalized words and phrases shall have the meaning attributed to them in the Agreement.

In consideration of the premises, the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree that:

1. Franchisor shall not advance Franchisee a conversion incentive payment in connection with this Amendment, but Franchisee has entered into an Affiliate Franchise Agreement with one of Franchisor's affiliates and amended the Affiliate Franchise Agreement to provide for the payment of a conversion incentive payment by one of Franchisor's affiliates.

2. "**Master Territory Group**" as used herein shall mean the Territory Group and the Affiliate Franchise Agreement Territories combined**.**

3. Section 7.1 of the Agreement, entitled "***Franchisee's Obligations***," shall be amended, with the sub-sections noted below being added or amended as follows:

A. Sub-section 7.1.K. shall be amended by adding, at the end of the paragraph:

"K. Franchisee must implement Franchisor's designated software operating system (currently SuccessWare21, and including the components referred to as SuccessWare ASP) within 90 days from the Effective Date, and must thereafter use such system, or such other new or updated system or systems as the Franchisor may

designate from time to time, for the operation of the Franchised Business. The terms and rates for the use of such system shall be those as approved by the Franchisor from time to time."

D. A new Sub-section 7.1.Y. shall be added to Section 7.1, as follows:

"Y. Franchisee must purchase its entire stock of products, including supplies and equipment, only through vendors who are approved by BuyMax, LLC, or any successor program, and from BuyMax's Private Brands division, if such products are available from an approved vendor or BuyMax. Franchisee must utilize service providers who are approved by BuyMax, LLC, or any successor program, for all services it requires, if such services are available from an approved vendor. Any products and services not offered by a BuyMax vendor or the BuyMax Private Brands division can be purchased by Franchisee from vendors of Franchisee's choice as long as the products or services meet Franchisor's then current standards and specifications."

E. A new Sub-section 7.1.Z. shall be added to Section 7.1, as follows:

"Z. Franchisee must participate in the sale and service of repair and replacement warranty products (presently referred to as the "Home Comfort Collection") offered by Franchisor's affiliate, Home Warranty of America, Inc. ("**HWA**") under the terms and brand names approved by HWA from time to time."

F. Sub-section 7.1.H of the Agreement shall be amended to delete the reference to "thirty (30) days" and replace it with "ninety (90) days"

4. Section 8.2 of the Agreement, entitled "***Continuing Franchise Fee***," is hereby deleted in its entirety and replaced with the following new Section 8.2:

"8.2 ***Continuing Franchise Fee***. Commencing on the first of the month following ninety (90) days after the Effective Date, as stated on **Exhibit A**, Franchisee will pay Franchisor semi-monthly a continuing franchise fee ("**Continuing Franchise Fee**"), for all Net Sales (as defined in **Section 8.5**) realized by the Franchisee. The Continuing Franchise Fee will be calculated at a rate of: (i) five percent (5%) for the first Six Million Dollars ($6,000,000.00) of combined Net Sales for the **Master Territory Group** realized in any given calendar year; (ii) four percent (4%) of combined Net Sales for the **Master Territory Group** between Six Million Dollars and one cent ($6,000,000.01) and Ten Million Dollars ($10,000,000.00) realized in any given calendar year; and (iii) three percent (3%) of combined Net Sales for the **Master Territory Group** over Ten Million Dollars ($10,000,000.00) realized in any given calendar year. The Net Sales used to calculate the Continuing Franchise Fee rate, as described above, will reset to Zero Dollars ($0.00) at the start of each calendar year during the Term."

5. Section 8.1 of the Agreement, entitled "***Initial Fees***," is hereby deleted in its entirety and replaced with the following new Section 8.1:

"8.1. Franchisee shall pay Franchisor the initial fee stated on Exhibit A to the Agreement (the "**Initial Fees**") within fourteen (14) days following Franchisee's receipt of the initial portion of the Conversion Incentive Payment. Franchisee acknowledges the Initial Fees are fully earned by Franchisor and are not refundable."

6. For the avoidance of doubt, the parties agree that if any one or more of the franchises in the Territory Group terminate, expire, or transfer (so that Franchisee is no longer considered a franchisee pursuant to the terminated, expired, or transferred franchise), the definition "Territory Group" in Section A above shall mean the then remaining franchises in the Territory Group that have not terminated, expired, or transferred.

7. Franchisee acknowledges and agrees: (i) the representations and warranties made by Franchisee in Section 2.1.B of the Agreement include and apply to all financial information and records related to Franchisee's Prior Business that Franchisee provided or made available to Franchisor in Franchisee's application and other documentation; (ii) such financial information and records, and related representations and warranties, have been relied upon by Franchisor and induced Franchisor to enter into the Agreement, including this Amendment; and (iii) such financial information and records were true, correct, complete, and accurate as of the date provided and as of the date of the Agreement, and no material change to this information has occurred.

8. In all other respects the Agreement shall remain unchanged and is hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Amendment as dated below.

| Franchisee: | Franchisor: |
|---|---|
| | ONE HOUR AIR CONDITIOINING FRANCHISING, L.L.C. |
| By: _____ | By: _____ |
| Name: | Name: |
| Title: | Title: |
| Date: | Date: _____ |

# EXHIBIT I

# AREA DEVELOPMENT AGREEMENT

# AREA DEVELOPMENT AGREEMENT

Area Developer: _____

Territory Name: _____

Effective Date: _____

# AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT, having an effective date of _____ (this "**Agreement**"), is made by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**One Hour**" or "**Franchisor**") located at 12 Greenway Plaza, Suite 250, Houston, Texas, 77046 and _____, a _____ ("**Area Developer**"), who in consideration of the promises stated below agree as follows:

## Article 1. Nature and Scope of Agreement

1.1 ***The Franchisor***. Franchisor has developed a distinctive business format and system and related standards, specifications and procedures that Franchisor has for operating a Franchised Business (as defined below), including but not limited to, the Operations Manual and System Standards (defined below) (the "**System**") that is designed to provide residential air conditioning and heating services, including indoor air quality services, maintenance, repairs and equipment replacement, and other related services ("**HVAC Services**") under the service marks ONE HOUR AIR CONDITIONING & HEATING® and ONE HOUR HEATING & AIR CONDITIONING® and associated marks, logos and designs that Franchisor now uses or may use as a component of the System (the "**Licensed Marks**"), and offers franchises to operate ONE HOUR AIR CONDITIONING & HEATING and/or ONE HOUR HEATING & AIR CONDITIONING residential HVAC Services businesses (each, a "**Franchised Business**").

1.2 ***The Area Developer***. Area Developer represents that it has conducted an independent investigation and analysis of the prospects for the establishment of ONE HOUR AIR CONDITIONING & HEATING or ONE HOUR HEATING & AIR CONDITIONING residential HVAC Services businesses within the Development Area, approves the Development Schedule and Minimum Area Development Standard (both as defined below) as being reasonable and viable, and recognizes that failure to achieve the results described in the Development Schedule will constitute a material breach of this Agreement. Area Developer has also independently investigated the business risks involved and other matters as Area Developer deems important, including current and potential market conditions and competitive factors and risks, has had the opportunity to read Franchisor's Franchise Disclosure Document (the "**Franchise Disclosure Document**") and Franchise Agreement (as defined in Section 6.1), in connection with the offer to Area Developer of the development rights to be exercised pursuant to this Agreement, and has not relied on any representations, warranties or covenants not expressly stated in this Agreement or in the Franchise Disclosure Document.

1.3 ***The System***. The System is used by residential HVAC Services businesses that operate under the Licensed Marks. The System presently includes, but is not limited to: the Licensed Marks; advertising, publicity and other marketing programs; copyrighted material; training programs and training materials; and other requirements that are stated or referred to in this Agreement, the Franchise Agreement (as defined in Section 6.1), and Franchisor's Operations Manual (the "**Operations Manual**"), or that Franchisor, periodically, may otherwise state in writing and designate as part of the standards for the System, ("**System Standards**"). Franchisor, in its sole discretion, may change or modify the System, including System Standards, and Area Developer agrees to comply with the System and System Standards as they may exist periodically (including all required operational policies, procedures, programs and plans stated in the Operations Manual or otherwise stated in writing) when opening and operating Franchised Businesses as described in this Agreement, all of which shall constitute provisions of this Agreement as if fully set forth herein.

Area Developer acknowledges that because uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right to materially vary its standards or franchise agreement terms for any Franchised Business, based on the timing of the grant of the franchise, the peculiarities of the

particular territory or circumstances, business potential, population and demographics, existing business practices, general market and economic conditions, other non-arbitrary distinctions or any other condition which Franchisor considers important to the successful operation of the Franchised Business. Area Developer will have no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Area Developer.

1.4 ***Existing Franchise Agreement***. On or prior to the Effective Date (defined below), Area Developer entered into a franchise agreement with Franchisor for a territory adjacent to or near the Development Area (the "**Existing Franchise Agreement**"). Nothing in this Agreement shall modify or amend such Existing Franchise Agreement, and the Existing Franchise Agreement will not count towards the required number of Franchised Businesses to be opened and operated pursuant to the Development Schedule.

## Article 2. Grant of Development Rights

2.1 ***Development Rights***. Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Area Developer the right to develop and operate for Area Developer's own account or for an affiliated entity under the ownership and control of the Area Developer's Control Group (as provided in Article 6 below), a specified number of Franchised Businesses in compliance with Franchisor's standards. This right granted to Area Developer is limited to the right to develop and operate the Franchised Businesses only in designated areas ("**Territories**") within the Development Area (defined below) and may not be exercised elsewhere or in any other manner. Area Developer has no right to transfer or assign any of the rights granted to Area Developer herein, except as provided in Article 9 below. During the term of this Agreement and provided that Area Developer is in compliance with the development schedule set forth on Exhibit A (the "**Development Schedule**") and any and all Franchise Agreements executed pursuant to this Agreement and the Existing Franchise Agreement, Franchisor will not operate, or grant to another person or business entity a franchise to operate, a Franchised Business that uses the Licensed Marks from an outlet located in the Development Area. Notwithstanding the previous sentence, other franchisees of Franchisor, licensees of Franchisor, and Franchisor (or its affiliates) may service customers in the Territories of the Development Area in which the Franchised Businesses are not yet developed and operational ("**Undeveloped Territories**") using the Licensed Marks or any other trademarks. Area Developer acknowledges and agrees that other franchisees of Franchisor using the Licensed Marks may continue to service customers located in the Territory of a Franchised Business that has been opened pursuant to the Development Schedule if such franchisees have continuing rights to service those customers under their franchise agreements. Area Developer must open and continuously operate the cumulative number of Franchised Businesses as of the dates set forth on the Development Schedule, pursuant to the applicable Franchise Agreements. Time is of the essence for the development of each Franchised Business in accordance with the Development Schedule. Area Developer is bound by and must strictly follow the Development Schedule.

2.2 ***Development Area***. The development area (the "**Development Area**") is the geographical area described on Exhibit A, and the Development Area is subdivided into Territories. The Development Area, and Territories within the Development Area, shall be determined by reference to the geographic areas specified in Exhibit A as of the date of this Agreement. Such geographic area may be defined by reference to zip codes, or another method used by Franchisor. For a Development Area or Territory defined by reference to zip codes, subsequent remapping changes by the U.S. Post Office shall not operate to expand the scope of the Development Area or any Territory. The development areas granted to One Hour area developers in the franchise system may differ in size compared to the Development Area. Area Developer acknowledges and agrees that Franchisor is under no obligation to direct service phone calls, electronic communications, or other communications from customers in Undeveloped Territories to Area Developer, and Franchisor may direct service phone calls, electronic communications, or other communications from customers in Undeveloped Territories to other franchisees or licensees of Franchisor.

2.3 ***Reserved Rights***. Franchisor reserves all rights not specifically granted to Area Developer under this Agreement. The rights reserved to Franchisor include, without limitation, the right of Franchisor or its affiliates, including its parents, to: (1) use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of residential HVAC Services businesses under the Licensed Marks from any location outside the Development Area; (2) operate a residential HVAC Services business under the Licensed Marks inside the Development Area if (i) Franchisor (or its affiliate) is operating a residential HVAC Services business under the Licensed Marks in the Development Area as of the date of this Agreement, or (ii) Franchisor has notified Area Developer before Area Developer has signed this Agreement that Franchisor (or its affiliate) intends to operate a residential HVAC Services business under the Licensed Marks in the Development Area; (3) engage in or license any business activity, including without limitation, establishing other channels of distribution (including the Internet), selling similar services, related goods or other products through mail order, catalog sales, telemarketing, Internet, television, newspaper, retail outlets, and any other advertising media to consumers located anywhere, including within the Development Area, under any trade name, trademark or service mark other than the Licensed Marks; (4) service customers, or allow other franchisees or licensees of Franchisor to service customers, in Undeveloped Territories using the Licensed Marks without compensation to Area Developer; or (5) acquire, become associated with, operate or franchise residential HVAC Services business under any trade name, trademark or service mark other than the Licensed Marks now or at any time owned by or licensed to Franchisor or its affiliates at any location inside or outside the Development Area, and nothing herein shall require Franchisor, or its affiliates or parents, to cease operation of any business operating in the Development Area under any other trade name, trademark or service mark, whether operating at the time of this Agreement or subsequently acquired; provided however, if Franchisor, or one of its affiliates or parents, acquires or otherwise begins to operate a residential HVAC Services business under another trade name, trademark or service mark in one of Area Developer's Undeveloped Territories after the date of this Agreement, Franchisor will initiate a discussion with Area Developer to amicably resolve any issues arising from the operation of the business. If the business operates under the control of Franchisor or an affiliate or parent in Area Developer's Undeveloped Territory for longer than twelve months (the "Resolution Period") without a mutually agreeable resolution, then Area Developer may deliver to Franchisor a written notice of intent to terminate the obligation to develop a Franchised Business in that Undeveloped Territory pursuant to the Development Schedule, including therein a commitment to provide a general release of claims in the form specified by Franchisor. If at the end of ninety (90) days following Franchisor's receipt of such written notice from Area Developer, no mutually agreeable resolution has been reached, and such general release has been delivered, then Area Developer's obligation to develop a Franchised Business in that Undeveloped Territory pursuant to the Development Schedule will terminate, but all other provisions of this Agreement and the Development Schedule shall remain in full force and effect. If Franchisor has not received such a written notice and general release from Area Developer within ninety (90) days of the expiration of the Resolution Period, then (i) the entity operating the residential HVAC Services business (the Franchisor, its affiliates or parents, as applicable), in its sole discretion, may rebrand or operate the residential HVAC Services business under the Licensed Marks or any other trade name, trademark or service mark it deems appropriate and (ii) Area Developer will be deemed to have waived any objection to the operation of the business by Franchisor or one of its affiliates or parents within the Undeveloped Territory under the Licensed Marks or any other trade name, trademark and service mark. Area Developer acknowledges that Franchisor's rights to use and/or license the System pre-date this Agreement and are not limited or modified by the terms of this Agreement. Area Developer agrees that by acknowledging such rights, the parties do not intend to make Franchisor's exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement. Neither Franchisor nor any of its affiliates or parents shall be liable to Area Developer for damages, costs, expenses, loss of profits or business opportunities or direct, incidental or consequential damages of any kind or nature whatsoever, if any, based on actual or anticipated consequences to Area Developer that may result from the exercise of rights reserved to Franchisor, its affiliates and parents under this Agreement.

(a) If the Development Schedule requires that a Franchise Agreement be executed with respect to an Undeveloped Territory that is the subject of a Resolution Period as provided in this Section 2.3 at any

time during the Resolution Period, then the obligation to sign a Franchise Agreement with respect to that Undeveloped Territory shall be suspended until Franchisor and Area Developer have reached a mutually agreeable resolution, or until the obligation to develop a Franchised Business in that Undeveloped Territory is terminated as provided in this Section 2.3.

2.4 ***Limitation of Grant.*** This Agreement is not a franchise agreement and does not grant Area Developer any right or license to use the Licensed Marks, but merely sets forth the terms and conditions under which Area Developer will be entitled to execute franchise agreements for the Development Area.

2.5 ***Development Schedule***. Area Developer shall exercise the development rights granted herein in the sequence and on the dates shown on the Development Schedule. Area Developer must receive Franchisor's prior written consent if Area Developer wishes to exercise its development rights on dates earlier than indicated on the Development Schedule or if Area Developer wishes to exercise more than one development right at a time, which consent may be withheld by Franchisor for any reason in its sole and absolute discretion.

2.6 ***Eligibility to Exercise Development Rights.*** To be eligible to exercise Area Developer's development rights as described in the Development Schedule, the following criteria must be satisfied as determined by Franchisor:

(a) on the date Area Developer (or an affiliate owned and controlled by Area Developer's Control Group) is scheduled to sign the Franchise Agreement pursuant to Section 6.1 below, Area Developer must not be in default of this Agreement or any Franchise Agreement between Area Developer (or an affiliate owned and controlled by Area Developer's Control Group) and Franchisor, and

(b) all Franchised Businesses then open and operating pursuant to the Development Schedule must have each achieved and at all times thereafter maintained a revenue level of at least $500,000 per annum within its defined territory ("**Minimum Area Development Standard**"). The Minimum Area Development Standard is not a purchase commitment, but the minimum sales levels that Area Developer must have achieved in each Franchised Business developed pursuant to this Agreement in order to be eligible to exercise its development right for the next Franchised Business shown on the Development Schedule. For avoidance of doubt, the Minimum Area Development Standard is independent of any minimum sales performance standards required by the terms of the Franchise Agreements entered into pursuant to this Agreement. Area Developer (or an affiliate owned and controlled by Area Developer's Control Group) must satisfy the Minimum Area Development Standard as provided in this Agreement in order to be eligible to exercise its development right for the next Franchised Business shown on the Development Schedule, and must also satisfy any minimum sales performance standards required under the Franchise Agreements entered into pursuant to this Agreement.

2.7 ***Modification or Discontinuance.*** Franchisor has the right to modify or discontinue its or its franchisees' use of the Licensed Marks or the specifications for use of the Licensed Marks, or to require franchisees to commence use of new or substitute Licensed Marks. Although this Agreement does not grant Area Developer any right or license to use the Licensed Marks, Area Developer agrees that Franchisor may, in its sole and absolute discretion, change the trademark under which Franchised Businesses will be developed pursuant to this Agreement to another trademark. If such change is made, reference in this Agreement to the Licensed Marks, ONE HOUR AIR CONDITIONING & HEATING and ONE HOUR HEATING & AIR CONDITIONING shall be deemed to refer to such new trademark.

## Article 3. Development Term

3.1 ***Development Term***. Unless terminated earlier under Article 7, the term of this Agreement (the "**Development Term**") shall commence on the effective date stated on Exhibit A (the "**Effective**

**Date**"), and terminate on the date the last Franchise Agreement is executed pursuant to the Development Schedule (the "**Expiration Date**").

## Article 4. Fees

4.1 ***Area Development Fee***. Area Developer shall pay Franchisor a development fee in the amount stated on Exhibit A to this Agreement (the "**Area Development Fee**"), which amount Area Developer acknowledges is fully earned by Franchisor and is not refundable for any reason. Upon Franchisor's receipt of the Area Development Fee, Area Developer will receive all of the rights to develop set forth in this Agreement, and will be obligated to develop, the number of locations set forth in the Development Schedule.

4.2 ***Initial Fees for Franchise Agreement***. For each Franchised Business developed in the Development Area pursuant to this Agreement, Area Developer shall pay Two Thousand Dollars ($2,000) per Franchised Business as Initial Fees (as defined in the Franchise Agreement) payable at the execution of the Franchise Agreement for such Franchised Business. Franchisor and Area Developer will modify each such Franchise Agreement to reflect Area Developer's obligation to pay these Initial Fees.

## Article 5. Franchisor Obligations

5.1 ***Initial Services and Ongoing Obligations.*** Area Developer acknowledges and agrees that Franchisor's initial service under this Agreement is solely to identify the Development Area and that Franchisor has no ongoing obligations such as training or operational assistance to Area Developer under this Agreement. All ongoing and further obligations to Area Developer in opening Franchised Businesses shall be provided pursuant to the Franchise Agreement(s) between Franchisor and Area Developer.

## Article 6. Franchise Agreements, Control Group

6.1 ***Execution of Franchise Agreements, Continuing Franchise Fee.*** If Area Developer is eligible to exercise a development right pursuant to Article 2, Area Developer (or an affiliate owned and controlled by Area Developer's Control Group, as described in Section 6.2 below) shall exercise each development right granted herein only by satisfying each and all of the following for each development right:

A. providing Franchisor with written notice, forty-five (45) days prior to the corresponding Franchise Agreement execution date identified on the Development Schedule that Area Developer wishes to exercise the next development right then existing pursuant to the Development Schedule, and timely satisfying Franchisor's then-current requirements for new franchisees at the time Area Developer is scheduled to execute a Franchise Agreement;

B. executing a separate Franchise Agreement in Franchisor's then-current form ("**Franchise Agreement**") for each Franchised Business to be developed by Area Developer for each Territory in the Development Area pursuant to this Agreement;

C. executing then-current standard ancillary agreements and other agreements and instruments then required by Franchisor for each Franchised Business to be developed by Area Developer for each Territory in the Development Area pursuant to this Agreement and the Franchise Agreement;

D. executing Franchisor's then-current form of general release (executed by Area Developer and each of its Owners and each affiliate that is a party to an agreement with Franchisor or its affiliates), releasing all claims Area Developer and its members, officers, directors, owners, employees, affiliates, successors and assigns may have against Franchisor, its members, officers, directors, owners, employees, affiliates, successors and assigns. The current form of general release is attached to this Agreement as Exhibit D; and

E. completing, executing, and returning to Franchisor all agreements, documents and instruments required by Franchisor pursuant to Sections 6.1.B, 6.1.C, and 6.1.D of this Agreement within 30 days of receipt of such agreements, documents and instruments by Area Developer.

Area Developer's failure to take the action required by Sections 6.1.A through 6.1.E of this Agreement, within the time period designated, shall be a default of this Agreement pursuant to Section 7.1.A below.

Area Developer understands that Franchisor may modify the then-current form of Franchise Agreement, including the standard ancillary agreements, and other agreements and instruments from time to time, and that they may be different than the current form of Franchise Agreement, other agreements and instruments, respectively, including different fees and obligations. Area Developer understands and agrees that any and all Franchise Agreements will be construed and exist independently of this Agreement. Further, provided that Area Developer is not in default of this Agreement at the time each subsequent Franchise Agreement is executed pursuant to this Agreement, Franchisor will modify each such Franchise Agreement to reflect Area Developer's obligation to pay to Franchisor a semi-monthly Continuing Franchise Fee (as defined in the Franchise Agreement) equal to three percent (3%) of Net Sales for the Franchised Business for the initial ten-year term. "Net Sales" shall be defined in the Franchise Agreement. If Area Developer fails to timely satisfy Franchisor's then-current requirements for new franchisees at the time Area Developer is scheduled to execute a Franchise Agreement or fails to provide Franchisor with an executed then-current form of Franchise Agreement by the corresponding date for a particular Franchised Business shown on the Development Schedule, Area Developer's failure will be deemed to be, and shall constitute, a material breach of this Agreement and Franchisor will have the right to modify or terminate this Agreement as provided herein. Prior to executing a Franchise Agreement and with timeliness adequate to assure the development of a Franchised Business promptly pursuant to the terms of this Agreement, Area Developer must submit to Franchisor for Franchisor's written approval, the location of each proposed Franchised Business including all information that Franchisor requires pursuant to the terms of Franchisor's then-existing terms of development. Franchisor will advise Area Developer of Franchisor's approval or disapproval of each location that Area Developer has proposed.

For the avoidance of doubt, the three percent (3%) Continuing Franchise Fee described in Section 6.1 shall not apply to the Existing Franchise Agreement. For Net Sales attributable to Undeveloped Territories, Area Developer shall pay the Continuing Franchise Fee at the rate identified in the Existing Franchise Agreement. As the Franchised Businesses within the Development Area become operational, all Net Sales attributable to the Franchised Businesses in the developed Territories shall be subject to the three percent (3%) Continuing Franchise Fee set forth in this Section 6.1 above.

6.2 ***Ownership and Control Group***. Any person holding an ownership interest in Area Developer is an "**Owner**" for purposes of this Agreement. Area Developer acknowledges and agrees that Franchisor has granted the rights in Article 2 to Area Developer, (a) based on Area Developer, Area Developer's Owner or the group of Owners described in Exhibit B that has, directly or indirectly, fifty-one percent (51%) or more ownership interest in Area Developer and voting control over its ownership interests in Area Developer ("**Control Group**") and (b) based on the same ownership and voting control of such Control Group, in the same percentage as hereunder, in each Franchisee that executes a Franchise Agreement hereunder. If Area Developer is a business corporation, partnership, limited liability company or other legal entity, the same Control Group must own a minimum of fifty-one percent (51%) in Area Developer and in any entity executing a Franchise Agreement as a One Hour franchisee ("**Franchisee**") pursuant to this Agreement. All ownership interests of Owners in the Control Group shall be in the same percentages in the Area Developer entity under this Agreement and in any Franchisee entity executing a Franchise Agreement hereunder. Furthermore, Area Developer acknowledges and agrees that Franchisor has the right to approve in advance the ownership structure of each Franchisee under a Franchise Agreement executed pursuant hereto prior to execution thereof.

6.3 ***Guaranty***. Franchisor requires individuals (and not solely corporations, limited liability companies or other entities) to execute an owner's guaranty, the form of which is attached to this Agreement as Exhibit C (the "**Owner's Guaranty**"), in favor of Franchisor. Accordingly, if Area Developer is a business entity, each individual Owner shall sign an Owner's Guaranty. If Area Developer is a business entity, and if any Owner of Area Developer is also a business entity (as opposed to an individual), all individuals who have indirect ownership of Area Developer shall execute an Owner's Guaranty. Area Developer shall deliver the signed Owner's Guaranty for each business entity and individual required by this Agreement to execute an Owner's Guaranty to Franchisor concurrently with execution of this Agreement, or if the ownership interest is acquired later through a transfer as described in Section 9.3 of this Agreement, prior to obtaining Franchisor's consent to such transfer. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to waive the requirement that some or all of the previously described business entities or individuals execute an Owner's Guaranty in lieu of a surety bond acceptable to Franchisor. Franchisor reserves the right to require any business entity or individual who signs an Owner's Guaranty to provide financial statements, and personal financial statements as applicable, to Franchisor from time to time.

6.4 ***Responsible Owner***. Area Developer must designate one (1) individual, who shall be set forth in Exhibit B hereto, who has the authority to, and does in fact, actively direct Area Developer's business affairs related to Area Developer's obligations under this Agreement and has authority to sign on Area Developer's behalf on all contracts and commercial documents ("**Responsible Owner**"). Area Developer (and the Responsible Owner) shall exert its best efforts to the development of the Franchised Businesses; and absent Franchisor's prior approval may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or that otherwise may conflict with Area Developer's obligations hereunder. Area Developer must notify Franchisor of any proposed change of the Responsible Owner and receive Franchisor's written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, Area Developer must submit a new proposed Responsible Owner within thirty (30) days after such death or incapacitation. Neither Area Developer nor its Owner(s) will, directly or indirectly, take any action to avoid or restrict the authority requirement for the Responsible Owner.

The Responsible Owner and other Owner(s), and their beneficial ownership interest in Area Developer, are identified in Exhibit B to this Agreement. Area Developer represents, warrants and agrees that the attached Exhibit B is current, complete and accurate, and Area Developer agrees that updated copies of Exhibit B will be furnished promptly to Franchisor, so that Area Developer's Franchise Agreements (as so revised and executed) are at all times current, complete and accurate.

6.5 ***Future Development.*** Area Developer recognizes and agrees that this Agreement requires Area Developer to open ONE HOUR AIR CONDITIONING & HEATING or ONE HOUR HEATING & AIR CONDITIONING Franchised Businesses in the future pursuant to the Development Schedule. Area Developer further acknowledges and agrees that the estimated expenses and investment requirements set forth in Franchisor's Franchise Disclosure Document are subject to increase over time, and that future Franchised Businesses likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to Area Developer prior to the execution of this Agreement. Area Developer must meet the requirements set forth in Sections 2.6 and 6.1, execute all the Franchise Agreements and open all the Franchised Businesses by the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of Area Developer's prior Franchised Businesses, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon Franchisor to execute the Franchise Agreements under this Area Development Agreement if Area Developer has not complied with each and every condition necessary to develop the Franchised Businesses, or if Area Developer does not meet Franchisor's then-current requirements for new franchisees at the time Area Developer is scheduled to execute a Franchise Agreement.

## Article 7. Termination, Expiration

7.1 ***Default and Termination.***

A. **Termination by Franchisor Without an Opportunity to Cure.** Area Developer shall be in default under this Agreement and Franchisor may, at its option and in its sole and absolute discretion, reduce the size of the Development Area, reduce the number of Franchised Businesses that may be established under this Agreement, or terminate this Agreement and all rights granted herein effective immediately upon notice to Area Developer, if Area Developer:

(i) (1) makes or is deemed to have made a general assignment for the benefit of creditors; (2) if a petition is filed against Area Developer under the Bankruptcy Code and not dismissed within sixty (60) days of filing; (3) if a petition is filed by Area Developer under the Bankruptcy Code; (4) if Area Developer is declared or adjudicated bankrupt; (5) if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed of or for Area Developer; (6) if Area Developer commits any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings; or (7) if Area Developer admits in writing an inability to pay debts generally as they become due;

(ii) (1) has any of the products or chattels of the Area Developer's business contemplated by this Agreement at any time seized or taken in execution or in attachment by a creditor of Area Developer; (2) a writ of execution is issued against such products or chattels; or (3) if Area Developer, without the prior written consent of Franchisor, gives any security interest in any of such products or chattels or sells any of such products or chattels, except in the normal course of business, and, as a consequence of these acts, in the judgment of Franchisor, the operation of the Area Developer's business or any security interest which Franchisor may have in respect of this Agreement is materially impaired;

(iii) willfully or fraudulently misrepresents any fact, condition or report made in any application given to Franchisor or required to be made by this Agreement;

(iv) has received from Franchisor during any consecutive twelve (12) month period three (3) or more notices relating to a default under **Section 7.1.B.** (whether such notices relate to the same or different defaults and whether or not such defaults have been cured by Area Developer);

(v) by its actions, or its failure to take an action that it is required to take, in the reasonable opinion of Franchisor, adversely affects the goodwill associated with Franchisor, any Franchised Business developed by Area Developer pursuant to the Area Development Schedule, or the Licensed Marks;

(vi) (or any of its affiliates) defaults under any other agreement with Franchisor (or its affiliates), including but not limited to a franchise agreement (whether executed pursuant to this Agreement or otherwise), and Franchisor (or its affiliates) has the right to terminate such other agreement without giving Area Developer (or its affiliates) an opportunity to cure the default;

(vii) abandons the Area Developer's business contemplated by this Agreement, or by its conduct indicates an intent to do so;

(viii) dies or becomes incapacitated and a Transfer is not consummated as described in **Section 9.5**;

(ix) fails to comply with the Development Schedule at any time, including a failure to timely comply with any of the obligations of Section 6.1 of this Agreement; or

(x) fails to meet the Minimum Area Development Standard pursuant to Section 2.6.

B. **Termination by Franchisor After Opportunity to Cure.** Except as provided in Section 7.1.A above, Area Developer shall be in default under this Agreement and Franchisor may, at its option and in its sole and absolute discretion, reduce the size of the Development Area, reduce the number of Franchised Businesses that may be established under this Agreement, or terminate this Agreement and all rights granted herein effective as of the time noted, if Area Developer:

(i) is in default of any other terms of this Agreement or in any other agreement or instrument entered into or made between Area Developer (or its affiliates) and Franchisor (or its affiliates) related to the area development business, including without limitation any promissory note made by Area Developer (or its affiliates), and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice thereof from Franchisor to cure the same; or

(ii) (or its Owners or an affiliate owned and controlled by Area Developer's Control Group) is in default under any franchise agreement (whether executed pursuant to this Agreement or otherwise) or other agreements with Franchisor (or its affiliates) and has not cured the default within any applicable cure period provided for in any such agreement.

7.2 ***Waiver, Extension***. Without waiving any rights afforded to Franchisor under this Agreement or any Franchise Agreement in which Area Developer (or its affiliates) owns or holds any interest, Franchisor has the right, but not the obligation, to refrain from exercising its termination right in favor of granting Area Developer a written extension of the Development Schedule. Such an extension may, in Franchisor's sole and absolute discretion, be conditioned on any or all of the following: (a) a reduction in the size of the Development Area; (b) a modified Development Schedule (in terms of timing and/or number of Franchised Businesses to be opened); (c) Area Developer's (and its Owners' if Area Developer is a business entity) execution of Franchisor's then-current form of general release; and/or (d) Area Developer's execution of Franchisor's then-current form of Area Development Agreement, which shall replace this Agreement and which may contain materially different terms and conditions. Nothing obligates Franchisor to grant Area Developer an initial or any subsequent extension on the Development Schedule. Franchisor reserves the right to terminate this Agreement at any time if Area Developer fails to comply with its terms, including at the end of any unfulfilled extension period.

7.3 ***Franchise Agreements May Not be Affected.*** Upon expiration or termination of this Agreement, (i) Area Developer will continue to pay all required fees and operate the Franchised Businesses that Area Developer (or its Owners or an affiliate owned and controlled by Area Developer's Control Group) own in the Development Area pursuant to the terms of the applicable Franchise Agreement(s) that were executed prior to the expiration or termination of this Agreement, and (ii) Area Developer's and Franchisor's rights and obligations with respect to Area Developer's (or its Owners' or an affiliate owned and controlled by Area Developer's Control Group's) existing Franchised Businesses will be governed by the terms of the applicable Franchise Agreement(s), unless there also exists a basis to terminate the applicable Franchise Agreement(s) for Area Developer's Franchised Business(es) and such termination(s) has occurred.

7.4 ***No Rights to Development Area Upon Termination.*** After the termination or expiration of this Agreement for any reason, any and all of Area Developer's rights in and to the Development Area shall cease, and:

A. Franchisor will have the absolute and unrestricted right to develop, on its own behalf or through one or more other franchises, any portion or portions of the Development Area for which Franchise Agreements were not executed by Franchisor with Area Developer or to contract with other franchisees or area developers for the future development of said area;

B. Any and all remaining rights granted to Area Developer to develop Franchised Businesses under this Agreement will automatically be revoked and will be null and void. Area Developer will not be entitled to a refund of any fees. Area Developer will have no right to develop or operate any Franchised Business for which a Franchise Agreement has not been executed by Franchisor and Area Developer; and

C. Any balance of the Area Development Fee not yet paid (including the principal and earned interest of any promissory note executed to finance the Area Development Fee) shall be immediately due and owing.

## Article 8. Area Developer's Non-Competition Obligations.

8.1 ***Non-Competition During the Development Term.*** Commencing on the Effective Date and for balance of the Development Term, Area Developer (and its Owners if Area Developer is a business entity) shall not, directly or indirectly, own or be involved with a Competitive Business (as defined below). Area Developer (and its Owners if Area Developer is a business entity) may own and/or operate other HVAC Services business that service commercial (as opposed to residential) customers, so long as such other businesses: (i) do not use any portion of the Franchised Businesses, including the System, Franchisor's confidential information or the Licensed Marks (such as the use of vehicles, invoices, and uniforms bearing the Licensed Marks) or any other assets, tangible or intangible, of the Franchised Businesses or Area Developer; and (ii) do not interfere with Area Developer's development of the Development Area (or diminish Area Developer's ability to fully comply with Area Developer's obligations under this Agreement; and further provided that any such commercial HVAC Services business is a legal entity separate and distinct from the Area Developer and any affiliates owned and controlled by the Control Group that operate the Franchised Businesses and that its books, records, and financial accounts are maintained completely separate from the Franchised Businesses and the area development business. To verify compliance with this **Section 8.1**, Area Developer shall provide written notice of the name and address of such business, within thirty (30) days of the Effective Date, or if later formed, within fifteen (15) days of formation or conduct of business, and make the books and records, and financial accounts of any such authorized HVAC Services business available to Franchisor upon reasonable prior notice. A "**Competitive Business**" means a business that offers residential HVAC Services competitive with or similar to those offered by Franchisor, its affiliates, its franchisees, its licensees or its affiliates' franchisees, licensees and members, without regard to geographic location, other than those authorized by this Agreement or any other agreement between Franchisor and Area Developer.

8.2 ***After Development Term.*** Area Developer, and each of its Owners, covenant that, except as otherwise approved in writing by Franchisor, Area Developer and its Owners shall not, for a continuous, uninterrupted period of twenty-four (24) months commencing upon the date of (a) a Transfer permitted under Section 9.3 of this Agreement, (b) expiration of this Agreement, (c) termination of this Agreement (regardless of the cause for termination), or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.2, either directly or indirectly, on behalf of itself or its spouse, parent (including step parents), sibling (including half siblings), or child (including step children), whether natural or adopted, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is existing or is under construction, located within or servicing customers within (a) the Development Area or (b) any zip code where any of Area Developer's Franchised Businesses served customers during the Development Term. Area

Developer acknowledges and agrees that the twenty-four (24) month period of this restriction shall be tolled during any time period in which Area Developer are in violation of this restriction.

8.3 ***Exceptions.*** The restrictions in Sections 8.1 and 8.2 do not apply to: (a) interests in or operation of a ONE HOUR AIR CONDITIONING & HEATING or a ONE HOUR HEATING & AIR CONDITIONING business under a written Franchise Agreement with Franchisor; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

8.4 ***Severability of Restrictive Covenants***. Area Developer acknowledges that the invalidity or unenforceability of any portion of Section 8.1 or Section 8.2 shall not affect the validity or enforceability of any other portion of Section 8.1 or Section 8.2 or any other section of this Agreement and any invalid or unenforceable portion of Section 8.1 or Section 8.2 shall be deemed to be severable.

8.5 ***Amendment of Restrictive Covenants***. Area Developer acknowledges that the provisions of this Article 8 have been included for the sole and absolute benefit of Franchisor and that Franchisor has the right, from time to time during the Development Term, in its sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant written in this Article 8 or any portion of this Agreement without Area Developer's consent effective upon Franchisor giving notice to Area Developer.

8.6 ***Acknowledgements regarding Restrictive Covenants***. Area Developer agrees that the covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Area Developer, since Area Developer has other considerable skills, experience and education which afford it the opportunity to derive income from other endeavors.

## Article 9. Compliance with Laws, Transfer, Indemnity

9.1 ***Compliance with Applicable Laws.*** Area Developer must, at its sole cost and expense, comply with all federal, state, city, municipal and local laws, ordinances, rules and regulations in the Development Area pertaining to the operation and affairs of the Franchised Businesses. Area Developer must, at its sole cost and expense, be absolutely and exclusively responsible for determining all licenses and permits required by law for the Franchised Businesses, for qualifying for and obtaining all such licenses and permits, and maintaining all such licenses and permits in full force and effect.

9.2 ***Transfer by Franchisor.*** Franchisor has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other third party as Franchisor may in its sole and absolute discretion deem appropriate. In the event of such transfer, Franchisor shall be released from any liability under this Agreement for the obligations transferred.

9.3 ***Transfer by Area Developer.*** Area Developer acknowledges that the granting of the rights hereunder is based upon Franchisor's investigation of Area Developer's qualifications and, if Area Developer is a business entity, the qualifications of the Owners, and that such rights are personal to Area Developer. Except as otherwise provided herein, Area Developer shall not sell, divide, encumber, assign, hypothecate, mortgage, or transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted herein or any part of this Agreement, or any rights or privileges incidental to this Agreement, or Area Developer's rights or interest in this Agreement, and if Area Developer is a business entity, Area Developer and Area Developer's Owners shall not transfer any of the shares of the corporation or any other entity identified on Exhibit B, or ownership or membership interests in such entities, in whole or in part, or "control" (as defined below) of such corporations or entities (collectively referred to as a "**Transfer**"), to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or legal or business entity (including but

not limited to another Owner of Area Developer), or any stock ownership or stock option plan without the prior written consent of Franchisor. As used in this Section 9.3, "control" shall mean the direct or indirect ownership, whether by ownership of securities, contract, proxy or otherwise, of shareholding or contractual rights of Area Developer that assures (i) the majority of the votes in the resolutions of Area Developer, or (ii) the power to appoint the majority of the managers or directors of Area Developer, or (iii) the power to direct or cause the direction of the management or policies of the Area Developer. Franchisor shall not unreasonably withhold its consent to such Transfer having given regard to factors which may include, without limitation, the viability of the investment by the transferee based on the price for the Development Area payable by the transferee as shown in any buy/sell agreements, asset purchase agreements, stock purchase plans, and other similar agreements that may be required from Area Developer and transferee to support the Transfer request. Any actual, attempted or purported Transfer without Franchisor's prior written consent shall constitute a default of this Agreement and shall be null and void. Franchisor reserves the right to require any or all of the following as a condition to its consent to any Transfer:

A. the proposed transferee and its owners (if transferee is a business entity) are acceptable to Franchisor based upon standards for new area developers and owners used by Franchisor at such time;

B. Area Developer is not in default in the performance or observance of any of Area Developer's obligations under this Agreement (including, without limitation, making all payments in full when due), and any other agreement between Area Developer (or its affiliates) and Franchisor (or its affiliates) relating to the Development Area or any other agreement between Area Developer (or its affiliates) and Franchisor (or its affiliates), including the Franchise Agreements;

C. Area Developer has settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to Franchisor pursuant to this Agreement or any other agreement between Area Developer (or its affiliates) and Franchisor (or its affiliates) relating to the Development Area or any other agreement between Area Developer (or its affiliates) and Franchisor (or its affiliates);

D. Area Developer and each of its Owners and each affiliate that is a party to an agreement with Franchisor or its affiliates, and any and all guarantors, have delivered to Franchisor a general release, in Franchisor's then-current form, releasing all claims Area Developer and its members, officers, directors, owners, employees, affiliates, successors and assigns may have against Franchisor, its members, officers, directors, owners, employees, affiliates, successors and assigns;

E. the proposed transferee signs Franchisor's then-current form of development agreement for a term ending on the expiration date of this Agreement with a Development Schedule that requires the development of the remaining Franchised Businesses that have not been developed under this Agreement (and signs, completes, and submits (as applicable) to Franchisor all other agreements, instruments and documents then customarily used or required by Franchisor in the granting and transferring of development areas) on the then prevailing terms, conditions and fees (but without obligation to pay development fees), and if transferee is a business entity, all direct and indirect owners of transferee, including business entities and individuals, sign a guaranty;

F. except in the case of a Transfer under Section 9.4, Area Developer has paid Franchisor's then-current transfer fee (presently set at $10,000) ("**Transfer Fee**") to reimburse Franchisor for its expenses in connection with the Transfer (provided, however, that a Transfer Fee will not be charged solely for mortgages or other encumbrances). Such Transfer Fee shall be paid in two installments, with fifty percent (50%) due at the time Area Developer proposes such Transfer to Franchisor, and the remaining fifty percent (50%) due when Area Developer and its transferee submits executed

documents to effect the Transfer, including transferee's development agreement and Area Developer's general release; and

G. there are no outstanding disputes between Franchisor, or any of its affiliates, and Area Developer and/or transferee and any owners and/or affiliates of either.

In the event a Transfer results in a complete change in ownership of the Area Developer, it is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts that are owed by Area Developer, Area Developer will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of the Transfer.

9.4 ***Transfer to a Corporation or Limited Liability Company***. If Area Developer is an individual, Area Developer may, coincident with or at any time after execution of this Agreement, after obtaining the written consent of Franchisor and provided all obligations of Area Developer to Franchisor have been satisfied, transfer and assign all of Area Developer's rights and obligations hereunder to a corporation or limited liability company, provided Area Developer is and throughout the Development Term remains a principal executive officer of such corporation or limited liability company and the beneficial and registered owner of greater than fifty percent (50%) of the issued and outstanding voting and equity rights and interests in such corporation or limited liability company (and any rights or options convertible into such voting or equity rights or interests), and provided that Area Developer forthwith:

A. causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement (except as provided in 9.4.D below); signs and causes the corporation and its directors and shareholders or, if a limited liability company, its owners or members, to sign any agreement as may be specified by Franchisor relating to the assumption by the corporation or limited liability company of any rights and obligations under this Agreement; and causes the corporation or limited liability company to inform Franchisor and to keep it informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation or limited liability company from time to time;

B. signs such documents in respect of the transfer and assignment as Franchisor may direct, including a guaranty;

C. pays to Franchisor all of Franchisor's reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by Franchisor in connection with the Transfer; and

D. if requested by Franchisor, Area Developer causes the corporation or limited liability company to sign Franchisor's then-current form of development agreement (and sign and complete all other agreements, instruments and documents then customarily used by Franchisor in the granting and transferring of development areas) on the then prevailing terms, conditions and fees (but without obligation to pay the Area Development Fee) for a period equal to the unexpired portion of the Development Term.

9.5 ***Death or Incapacity.*** If Area Developer dies or becomes incapacitated so that Area Developer is not able to devote full time and attention to the development of the Development Area, then the heirs or personal representatives of Area Developer shall Transfer the rights granted hereunder to a third party acceptable to Franchisor within a reasonable time, not to exceed twelve (12) months from the date of death or Incapacity (as defined below) subject to earlier expiration or termination pursuant to Articles 3 and 7. Franchisor reserves the right to require any or all of the conditions set out in Section 9.3 to be satisfied prior to providing its consent to such Transfer. In the event that any of the required conditions stated in Section 9.3 are not satisfied, Franchisor shall have the right in its sole discretion to terminate this Agreement

by notice, in the case of death, sent to the estate of Area Developer and, in the case of Incapacity of Area Developer, to Area Developer. For purposes of this Section 9.5, "**Incapacity**" means that, in the reasonable opinion of Franchisor, Area Developer, by reason of physical or mental illness or disability, is unable to develop the Development Area for a period of thirty (30) days or more in any consecutive ninety (90) day period.

9.6 ***Severability.*** To the extent that this Agreement is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

9.7 ***Waivers.*** Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted hereunder or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is in a writing signed by or on behalf of both parties.

9.8 ***Area Developer Indemnity***. Area Developer agrees to indemnify, hold harmless and, upon request, defend Franchisor, its affiliates, and their respective members, owners, shareholders, directors, officers, employees and agents (the "**Indemnified Parties**"), from and against all suits, proceedings, assessments, losses, costs of investigation, claims, liabilities, demands or actions of any nature or kind whatsoever ("**Claims**"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

A. the failure of Area Developer (or its Owners or an affiliate owned and controlled by the Control Group) to pay when due any levies, taxes or assessments that Area Developer may be required by applicable law to pay, or the failure of Area Developer (or its Owners or an affiliate owned and controlled by the Control Group) to pay any of its obligations to any person or entity;

B. any failure of the Area Developer (or its Owners or an affiliate owned and controlled by the Control Group) to comply with any requirement or condition of this Agreement or any other agreement with Franchisor;

C. Area Developer or its Owners or an affiliate owned and controlled by the Control Group, or their respective employees' acts, failure to act, or negligence or willful conduct; or

D. any breach of any of the Franchise Agreement(s) or other agreements with Franchisor (or is affiliates) by Area Developer (or its Owners or an affiliate owned and controlled by the Control Group) related to the Development Area or entered into pursuant to this Agreement;

and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims. Under no circumstance will any Indemnified Party be required to seek recovery from third parties or otherwise mitigate its losses to maintain a claim against Area Developer. The obligations in this Section 9.8 shall survive any termination or expiration of this Agreement.

## Article 10. Dispute Resolution

10.1 ***Resolution of Disputes***. Any dispute between Franchisor and Area Developer relating to or arising out of the relationship created by this Agreement is subject to the dispute resolution provisions written below.

10.2 ***Mediation***. In the event of any dispute, other than disputes that are the subject of Area Developer's default under Articles 7 or 8, the disputing party shall be obligated to first attempt to resolve such dispute through mediation, which proceeding shall be a condition precedent to commencing any legal action and shall be initiated by submitting a written request for mediation to the Judicial Arbitration & Mediation Services, Inc. ("**JAMS**") according to its procedures, or any other mediation service the parties mutually agree to according to such mediator's procedures.

A. The mediation process shall begin promptly and shall be concluded within sixty (60) days after the day the request for mediation is made, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation. During the pendency of any dispute resolution proceeding, the parties shall not disclose any information relating to the dispute or the dispute resolution proceeding to any person not party to the mediation. Area Developer expressly agrees not to commence any legal action until mediation has been concluded.

B. All mediation proceedings shall take place in the city and state where Franchisor has its principal place of business at the time the mediation is commenced. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them.

C. The commencement of any dispute resolution procedure will not act to prevent Franchisor, if required to prevent the possible loss of any rights, from instituting or proceeding with any action that may be the subject of the dispute.

10.3 ***Venue***. Area Developer and each Owner agrees that (i) any state court of general jurisdiction sitting in the county and state where Franchisor has its principal place of business at the time the action is commenced, or (ii) the United States District Court for the county and state where Franchisor has its principal place of business at the time the action is commenced shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement, and Area Developer and each Owner irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court. If applicable law provides Area Developer additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfer or otherwise, Franchisor shall comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

10.4 ***Injunctive Relief***. Notwithstanding anything in this Article 10 to the contrary, Franchisor may seek to obtain at any time in any court of competent jurisdiction any order for specific performance or injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which Franchisor reasonably believes may cause Franchisor irreparable harm. Franchisor may have such specific performance or injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and Area Developer's sole remedy in the event of the entry of such specific performance or injunction order, shall be the dissolution of such order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived hereby). Area Developer and each of its Owners acknowledges that any violation of Article 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Area Developer and each of its Owners consents to the issuance of an injunction at Franchisor's request (without posting a bond or other security) prohibiting any conduct in violation of any of those Sections and agrees that the existence of any claims Area Developer or any of its Owners may have against Franchisor, whether or not arising here from, shall not constitute a defense to the enforcement of any of those Sections.

10.5 ***Business Judgment***. The parties recognize, and any mediator, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or

refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of the System and/or franchise network. Where such discretion has been exercised and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

10.6 ***Limitations Period***. Except for claims arising from Area Developer's nonpayment or underpayment of amounts Area Developer owes Franchisor, any and all claims arising out of or relating to this Agreement or any agreement related to this Agreement or signed concurrently or the relationship of the parties, shall be barred unless a judicial proceeding is commenced within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim. Such limitation period, however, shall be considered tolled during the pendency of a mediation proceeding

10.7 ***No Punitive, Exemplary or Consequential Damages***. EXCEPT WITH RESPECT TO AREA DEVELOPER'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES UNDER SECTION 9.8 AND CLAIMS FRANCHISOR BRINGS AGAINST AREA DEVELOPER FOR AREA DEVELOPER'S UNAUTHORIZED USE OF THE LICENSED MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND AREA DEVELOPER AND AREA DEVELOPER'S RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM SHALL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

10.8 ***No Jury Trial***. FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

10.9 ***No Class or Consolidated Actions***. ANY LITIGATION OR MEDIATION BETWEEN FRANCHISOR AND AREA DEVELOPER AND ANY OF THEIR RESPECTIVE CURRENT OR FORMER AFFILIATES, SUBSIDIARIES, PARENTS, DIRECTORS, OFFICERS, OR AGENTS SHALL BE CONDUCTED ON AN INDIVIDUAL BASIS, AND NOT AS PART OF A GROUP, ASSOCIATION, CONSOLIDATED, JOINT, COMMON, OR CLASS ACTION OR ON ANY REPRESENTATIVE BASIS.

## Article 11. Area Developer's Representations

11.1 ***Representations and Warranties.*** Area Developer represents and warrants to Franchisor as follows:

A. All information provided to Franchisor in Area Developer's application and other documents to induce Franchisor to enter into this Agreement was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in this information;

B. Area Developer's execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment made by Area Developer;

C. If Area Developer is a business entity, Area Developer is duly organized and validly existing, is qualified to do business in each state where Area Developer is or shall conduct business, and is duly authorized to sign and deliver this Agreement and perform Area Developer's obligations under this Agreement;

D. This Agreement represents a valid, binding obligation of Area Developer and each of Area Developer's Owners, jointly and severally (as further described in Section 6.3);

E. Area Developer acknowledges that it received Franchisor's Franchise Disclosure Document the earlier of (i) fourteen (14) business days prior to the earlier of the execution of this Agreement or the payment of any consideration to the Franchisor in connection with this Agreement; or (ii) at the appropriate time as required under the laws of the state where Area Developer was domiciled at such time or where the Development Area is located;

F. Area Developer acknowledges that it received completed copies of this Agreement and any related agreements at least seven (7) business days prior to actual execution; and

G. Area Developer acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Area Developer with respect to this Agreement or the relationship thereby created. Area Developer, together with its advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to this Agreement.

**Article 12. General.**

12.1 ***Counterparts.*** This Agreement may be signed in counterparts, and each counterpart when signed and delivered shall be deemed an original.

12.2 ***Construction***. Area Developer acknowledges that it had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement shall be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

12.3 ***Survival.*** All obligations of Franchisor and Area Developer which expressly or by their nature survive termination or expiration or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

12.4 ***Rights of Franchisor are Cumulative***. The rights of Franchisor under this Agreement are cumulative and no exercise or enforcement by Franchisor of any right or remedy under this Agreement shall preclude the exercise or enforcement by Franchisor of any other right or remedy under this Agreement or which Franchisor is otherwise entitled by law to enforce.

12.5 ***Force Majeure***. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any delay; provided, however, that if the delay exceeds 120 days, Franchisor shall have the right to terminate this Agreement.

12.6 ***Notices***. All notices, consents and approvals permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if stated in writing and sent by a prepaid certified letter or by overnight courier service or transmitted by facsimile, electronic mail or other form of recorded communication (with a confirming copy given by prepaid certified letter or by overnight courier service). Notices shall be addressed to Franchisor as follows:

One Hour Air Conditioning Franchising, L.L.C.
12 Greenway Plaza, Suite 250
Houston, Texas 77046

Attention: President
Facsimile: 281-783-2203

and addressed to Area Developer using the address written above or to its facsimile number, or electronic mail address identified on Exhibit A provided to Franchisor.

Any notice so given or made which affords the sender evidence of delivery, or attempted delivery shall be deemed to have been given or made and received on the earlier of (i) the day of delivery or refusal of delivery (ii) one (1) business day after transmission by facsimile or other form of recorded communication service of the same or by overnight courier service, as the case may be, or (iii) on the third (3rd) business day following the day of mailing of the same by certified mail. Any party from time to time by notice in writing given under the terms of this Agreement may change its address or facsimile number for the purpose of this Agreement.

12.7 ***Entire Agreement.*** Franchisor and Area Developer each acknowledge and warrant to each other that they wish to have all terms of the business relationship defined in this Agreement. Neither Franchisor nor Area Developer wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations stated herein. Accordingly, Franchisor and Area Developer agree that this Agreement, together with any other documents or agreements signed by the parties contemporaneously herewith, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between Franchisor or anyone acting on its behalf and Area Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Area Developer each agree that they have placed, and shall place, no reliance on such discussions. This Agreement, together with any other documents or agreements signed by the parties contemporaneously or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to Area Developer and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, signed by an officer of Franchisor or such other entity granting the franchise rights. Nothing in this Agreement or any related agreement is intended to disclaim any representation made by Franchisor in Franchisor's Franchise Disclosure Document.

12.8 ***Amendment, Waiver.*** No change, modification, amendment or waiver of any of the provisions hereof shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment and signed by the party to be charged. The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, or a waiver by such party of its right at any time to require strict compliance with all terms and conditions of this Agreement. Franchisor's acceptance of payments due under this Agreement shall not constitute a waiver of any breaches by Area Developer that precede the acceptance of such payments.

12.9 ***Other Franchisees/Area Developers.*** Area Developer acknowledges that other One Hour franchisees/area developers have or will be granted franchises or area development rights at different times and in different situations, and further acknowledges that the provisions of such agreements may vary substantially from those contained in this Agreement.

12.10 ***Successors and Assigns.*** This Agreement shall inure to the benefit of and be binding upon Franchisor, Area Developer and their respective heirs, legal representatives, successors and permitted assigns.

12.11 ***Further Assurances***. The parties agree to diligently do or cause to be done all acts or things and to sign all documents and instruments necessary to implement and carry into effect this Agreement to its fullest extent.

12.12 ***Applicable Law***. This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the state of Texas, without giving effect to its conflicts of law principles, provided, however, that the state's franchise law shall apply only if its independent jurisdictional requirements are met. If applicable law provides Area Developer with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor will comply with the requirements of such laws if they exceed Franchisor's obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date below, but the Agreement will be effective on the Effective Date.

| Area Developer: | Franchisor: |
|---|---|
| | ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C**.** |
| By: _____ | By: _____ |
| Name: | Name: |
| Title: | Title: |
| Date: | Date: |

**Exhibit A**
**Business Terms, Development Schedule**

**Effective Date of this Agreement:**

**Area Development Fee:**

**Area Developer Business Name:**

**Mailing Address:**

**Phone Number:**

**Facsimile Number:**

**Email Address:**

**All Zip Codes in Development Area:**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |

## Exhibit A (Continued)

**Development Schedule:**

Area Developer acknowledges and agrees that a material provision of the Area Development Agreement is that the following number of Franchised Businesses must be opened and continuously operating in the designated Territories in accordance with the following Development Schedule:

| Franchised Business Number | Date Franchise Agreement for the Franchise Business Must Be Executed | Franchised Business Territory Zip Codes | Cumulative Number of Franchised Businesses To Be Open and In Operation as of the Date in the Second Column |
|---|---|---|---|
| 1st | | Territory: [Zip Codes] | 1 |
| 2nd | | Territory: [Zip Codes] | 2 |
| 3rd | | Territory: [Zip Codes] | 3 |
| 4th | | Territory: [Zip Codes] | 4 |
| 5th | | Territory: [Zip Codes] | 5 |
| 6th | | Territory: [Zip Codes] | 6 |
| 7th | | Territory: [Zip Codes] | 7 |
| 8th | | Territory: [Zip Codes] | 8 |
| 9th | | Territory: [Zip Codes] | 9 |
| 10th | | Territory: [Zip Codes] | 10 |

For purposes of determining compliance with the above Development Scheduled, only the Franchised Businesses actually open and continuously operating in the designated Territory as of the given date will be counted towards the number of Franchised Businesses required to be open and continuously operating for business.

Area Developer:

By: _____
Name:
Title:
Date:_____

Franchisor:

ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.

By: _____
Name:
Title:
Date:_____

**Exhibit B**
**Owners, Responsible Owner**

| Name of Owners | Nature of Interest | Beneficial Interest in Area Developer |
|---|---|---|
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Responsible Owner: _____

**Exhibit C**
**Form of Owner's Guaranty**

## OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of area development rights for a designated development area and the execution of an Area Development Agreement, having an effective date of _____, 20___(the "**Area Development Agreement**") by and between **ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C**., a Florida limited liability company ("**Franchisor**"), and _____ a _____ _____ ("**Area Developer**"), the undersigned hereby personally, directly, and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the Development Term of the Area Development Agreement that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Area Development Agreement and any documents, agreements, instruments and promissory notes signed with or in connection with the Area Development Agreement (collectively, the "**Area Development Documents**"); and (2) agrees to be personally and directly bound by, and personally and directly liable for the breach of, each and every provision in the Area Development Documents applicable to Owners of Area Developer.

The undersigned 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 guarantied;

3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guarantied;

4) any right the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability; and

5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Area Developer's obligations;

2) the undersigned shall render any payment or performance required under the Area Development Agreement upon demand if Area Developer fails or refuses punctually to do so;

3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Area Developer as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and

5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time to time grant to Area Developer 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 shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Area Development Documents, as the same may be amended or renewed, until Area Developer's duties and obligations to Franchisor are fully discharged and satisfied.

Unless defined in this Guaranty, all capitalized terms when used shall have the meanings ascribed to them in the Area Development Agreement.

This Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature as dated below.

| WITNESS(ES) | GUARANTOR(S): |
|---|---|
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |

**Exhibit D**
**Form of General Release**

**GENERAL RELEASE**
**DEVELOPMENT OF A FRANCHISED BUSINESS OR TRANSFER**

This GENERAL RELEASE ("**Release**"), dated and effective this ____ day of _____, 20___, is made by _____ ("**Releasor**"), with reference to the following facts:

The undersigned Releasor is the Area Developer under, and signatory to, that certain Area Development Agreement dated _____, ____ ("**Area Development Agreement**") by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("Franchisor") and Releasor granting Releasor the right to develop and operate a specified number of Franchised Businesses in compliance with Franchisor's standards, pursuant to the Development Schedule and subject to the terms provided thereunder.

Releasor agrees that all capitalized terms in this Release will have the meanings that are ascribed to them in the Area Development Agreement. This Release is being executed by the Releasor pursuant to the requirements of the Area Development Agreement in connection with Releasor's development of a Franchised Business or Releasor's request for transfer of the Area Development Agreement, as applicable. Releasor understands and agrees that execution of this Release is a condition of Releasor's rights under the Area Development Agreement to develop a Franchised Business, or to transfer the Area Development Agreement, as applicable and that Releasor's failure or refusal to execute this Release would result in Releasor's breach of the Area Development Agreement. In consideration of the Franchisor's approval of Releasor's development of a Franchised Business or request for transfer, Releasor executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, RELEASOR AGREES AS FOLLOWS:

1. General Release. In consideration of, and as an inducement to, Franchisor's agreement to the development of a Franchised Business, or to the consent to a transfer of the Area Development Agreement, as applicable, Releasor, for itself and on behalf of its current and former parents, subsidiaries, affiliates and related entities, and its and their respective current and former shareholders, owners, officers, directors, members, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns, all persons acting on its or their behalf or claiming under it or them and all entities in which it or they has(ve) or had an ownership interest (individually, collectively, and in any combination, the "**Releasor Parties**"), hereby (i) releases and forever discharges Franchisor, its current and former parents, subsidiaries, affiliates and related entities, and its and their current and former shareholders, members, officers, directors, owners, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns (individually, collectively, and in any combination, the "**Released Parties**"), from any and all claims, debts, rights, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, of every nature, character or description whatsoever, at law or in equity, whether known or unknown, vested or contingent, suspected or unsuspected or anticipated or unanticipated which any or all of the Releasor Parties now own or have, have ever had, or may ever have, against any or all of the Released Parties arising prior to or as of the date of this Release, and (ii) agrees that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against the Released Parties relating to any claim or demand released under this Section 1; provided, however, that this release and covenant

not to sue will not apply to any claims that arise under any applicable federal or state franchise laws, except to the extent that such claims may by law be released by this Release. Releasor will take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon Franchisor's request. This Section 1 will survive the expiration or termination of this Release.

2. Waiver of Rights. This release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor (for itself and all other Releasor Parties) against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself and the other Releasor Parties, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which they would be entitled, now or at any time hereafter under the statutory or common law of the state where the Area Development business is located, whether now or hereinafter existing under the laws of the state where the Area Development business is located, or any other applicable federal and state law with jurisdiction over the parties relationship. Releasor, on its own behalf and on behalf of the other Releasor Parties, expressly waive the provisions of Section 1542 of the Civil Code of the State of California (as well as under any other statutes or common law principles of similar effect whether now or hereinafter existing), which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts.

3. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein will not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any claims made by or against Franchisor.

4. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

5. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the claims which are the subject of this Release, all of such claims being released.

6. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

7. Controlling Law. This Release will be governed, construed and interpreted in accordance with the substantive laws of the state where the Area Development business is located.

IN WITNESS WHEREOF, Releasor has executed this Release on the date shown below.

| | |
|---|---|
| Releasor: | Releasor: |
| By: _____ | _____ |
| Name | Name |
| Title | Title |
| Date:_____ | Date:_____ |
| By: _____ | _____ |
| Name | Name |
| Title | Title |
| Date:_____ | Date:_____ |

**GENERAL RELEASE**
**DEVELOPMENT OF FRANCHISED BUSINESS OR TRANSFER**
**(for Owner)**

This GENERAL RELEASE ("**Release**"), dated and effective this ____ day of _____, 20____, is made by _____ ("**Releasor**"), with reference to the following facts:

The undersigned Releasor is an owner of [INSERT LEGAL ENTITY] ("**Area Developer**"). Area Developer is a signatory to that certain Area Development Agreement dated _____, ____ ("**Area Development Agreement**") by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**Franchisor**"), and Area Developer. The Area Development Agreement grants Area Developer the right to develop and operate a specified number of Franchised Businesses in compliance with Franchisor's standards, pursuant to the Development Schedule and subject to the terms provided thereunder. The Releasor is subject to certain obligations in the Area Development Agreement.

Releasor agrees that all capitalized terms in this Release will have the meanings that are ascribed to them in the Area Development Agreement. This Release is being executed by the Releasor pursuant to the requirements of the Area Development Agreement in connection with Area Developer's development of a Franchised Business or to transfer of the Area Development Agreement, as applicable. Releasor understands and agrees that execution of this Release is a condition of Area Developer's rights under the Area Development Agreement to develop a Franchised Business, or to transfer the Area Development Agreement (as applicable), and that Releasor's failure or refusal to execute this Release would result in breach of the Area Development Agreement. In consideration of Franchisor's approval of Area Developer's request to develop a Franchised Business or to transfer, Releasor executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, RELEASOR AGREES AS FOLLOWS:

1. General Release. In consideration of, and as an inducement to, Franchisor's agreement to the development of a Franchised Business or to the transfer of the Area Development Agreement (as applicable), Releasor, for himself or herself, individually and on behalf of his or her past and present agents, representatives, servants, employees, guardians, legal representatives, successors and assigns, heirs, executors, administrators, attorneys, all persons acting on his or her behalf or claiming under him or her, and all entities in which he or she has or had an ownership interest (individually, collectively, and in any combination, the "**Releasor Parties**"), hereby (i) releases and forever discharges Franchisor, its current and former parents, subsidiaries, affiliates and related entities, and its and their current and former shareholders, members, officers, directors, owners, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns (individually, collectively, and in any combination, the "**Released Parties**"), from any and all claims, debts, rights, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, of every nature, character or description whatsoever, at law or in equity, whether known or unknown, vested or contingent, suspected or unsuspected or anticipated or unanticipated which any or all of the Releasor Parties now own or have, have ever had, or may ever have, against any or all of the Released Parties arising prior to or as of the date of this Release, and (ii) agrees that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against the

Released Parties relating to any claim or demand released under this **Section 1**; provided, however, that this release and covenant not to sue will not apply to any claims that arise under any applicable federal or state franchise laws, except to the extent that such claims may by law be released by this Release. Releasor will take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon Franchisor's request. This Section 1 will survive the expiration or termination of this Release.

2. Waiver of Rights. This release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor (for itself and all other Releasor Parties) against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for himself or herself and the other Releasor Parties, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which they would be entitled, now or at any time hereafter under the statutory or common law of the state where the Area Development business is located, whether now or hereinafter existing under the laws of the state where the Area Development business is located, or any other applicable federal and state law with jurisdiction over the parties relationship. Releasor, on his or her own behalf and on behalf of the other Releasor Parties, expressly waives the provisions of Section 1542 of the Civil Code of the State of California (as well as under any other statutes or common law principles of similar effect whether now or hereinafter existing), which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts.

3. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein will not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any claims made by or against Franchisor.

4. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

5. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the claims which are the subject of this Release, all of such claims being released.

6. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

7. Controlling Law. This Release will be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.

IN WITNESS WHEREOF, Releasor has executed this Release on the date shownbelow.

| | |
|---|---|
| Releasor: | Releasor: |
| _____ | _____ |
| Name: | Name: |
| Date:_____ | Date:_____ |

# EXHIBIT J

# STATE ADDENDA

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE CALIFORNIA FRANCHISE INVESTMENT LAW**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for One Hour Air Conditioning Franchising, L.L.C. in connection with the offer and sale of franchises and development areas for use in the State of California shall be amended to include the following:

1. OUR WEBSITE IS WWW.ONEHOURAIR.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

3. SECTION 31125 OF THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4. YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER YOUR FRANCHISE OR IF YOU DEVELOP A NEW FRANCHISE UNDER, OR TRANSFER YOUR AREA DEVELOPMENT AGREEMENT. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

5. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT CONTAIN PROVISIONS THAT LIMIT FRANCHISEE'S AND AREA DEVELOPER'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA, INCLUDING BUT NOT LIMITED TO A WAIVER OF JURY TRIAL.

6. In Item 3, "Litigation," is amended by adding the following paragraph:

   Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

7. Item 6, "Other Fees," is amended by adding the following sentence to the end of Note 4: The highest interest rate allowed by law in California is 10% annually.

8. Item 10, "Financing," is amended by adding the following to the end of the second paragraph: The highest Interest rate allowed by law in California is 10% annually.

9. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following paragraphs at the end of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement and Area Development Agreement require non-binding mediation except in certain circumstances. The mediation will occur at in the county and state in which Franchisor's principal place of business is located when the mediation is commenced, with the costs of the mediation service being borne equally by both parties, and all other expenses relating to such mediation being borne by the party incurring such expenses. Prospective franchisees or area developers are encouraged to consult private legal counsel to determine the applicability of California and federal laws (including Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement or area development agreement restricting venue to a forum outside the state of California.

The Franchise Agreement and Area Development Agreement require application of the laws of the state of Texas. This provision may not be enforceable under California law.

The Franchise Agreement and Area Development Agreement contain a waiver of punitive damages and jury trial provision.

10. Item 19, "Financial Performance Representations," is amended by adding the following paragraph:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE HAWAII FRANCHISE INVESTMENT LAW**

The following paragraphs are to be added in the state cover page:

**THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH FRANCHISOR AND THE FRANCHISEE.**

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

No release language set forth in the Franchise Agreement or Area Development Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for One Hour Air Conditioning Franchising, L.L.C. in connection with the offer and sale of franchises and development areas for use in the State of Hawaii shall be amended to include the following:

1. Item 20 "List of Outlets," is amended by adding the following paragraph:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and

Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

2. Each provision of this Addendum to the FDD is effective only to the extent (with respect to each provision) that the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., would apply to your franchise or development area, without reference to this Addendum.

**HAWAII AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "Agreement") agree as follows:

1. Section 4.2(D) (under the heading "Renewal") is deleted in its entirety, and will have no force or effect; and the following paragraph is substituted in lieu thereof:

D. Franchisee and its Owners (if Franchisee is a business entity) have signed a general release, in a form satisfactory to Franchisor, of all claims Franchisee may have against Franchisor and its members, officers, directors, owners, employees, affiliates, successors and assigns, excluding only such claims as Franchisee and its Owners (if Franchisee is a business entity) may have under the Hawaii Franchise Investment Law;

2. Section 15.2(D) (under the heading "Transfer by Franchisee") is deleted in its entirety, and will have no force or effect; and the following paragraph is substituted in lieu thereof:

D. Franchisee (and its Owners if Franchisee is a business entity), and any and all guarantors, have delivered to Franchisor a general release, in a form satisfactory to Franchisor, of all claims Franchisee, and its members, officers, directors, owners, employees, affiliates, successors and assigns, may have against Franchisor, and its members, officers, directors, owners, employees, affiliates, successors and assigns, excluding only such claims as Franchisee (and its Owners if Franchisee is a business entity), and any and all guarantors may have under the Hawaii Franchise Investment Law.

3. The following new Section 16.4(P) is added to Section 16.4 of the Agreement (under the heading "Franchisee's Obligations on Termination or Expiration"):

P. Notwithstanding anything to the contrary in this Section 16, Franchisor will comply with Hawaii law which currently requires that Franchisor compensate Franchisee upon termination or refusal to renew the franchise for the fair market value, at the time of the termination or expiration of the franchise, of any inventory, supplies, equipment and furnishings which were purchased from Franchisor or a supplier designated by Franchisor. Personalized materials which have no value to Franchisor need not be compensated for. If Franchisor refuses to renew a franchise for the purpose of converting Franchisee's business to one owned and operated by Franchisor, Franchisor, in addition, must compensate Franchisee for the loss of goodwill. Franchisor may deduct reasonable costs incurred in removing, transporting and disposing of Franchisee's inventory, supplies, equipment and furnishings pursuant to these requirements, and may offset any moneys due Franchisor.

4. Each provision of this Amendment to the Agreement will be effective only to the extent (with respect to each provision) that the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., would apply to Franchisee's franchise, without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have duly executed and delivered this Hawaii Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**HAWAII AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "Agreement") agree as follows:

1. Section 6.1(D) (under the heading "Execution of Franchise Agreements, Continuing Franchise Fee") is deleted in its entirety, and will have no force or effect; and the following language is substituted in lieu thereof:

> D. Area Developer (and, if applicable, an affiliate owned and controlled by Area Developer's Control Group) and its Owners (and Area Developer's Owners and affiliates executing) executing a general release, in a form satisfactory to Franchisor, of all claims Area Developer and its members, officers, directors, owners, employees, affiliates, successors and assigns may have against Franchisor, its members, officers, directors, owners, employees, affiliates, successors and assigns (excluding only such claims as Area Developer (and its Owners if Area Developer is a business entity) may have under the Hawaii Franchise Investment Law);

2. Section 7.2(c) (under the heading "Waiver, Extension") is deleted in its entirety, and will have no force or effect; and the following language is substituted in lieu thereof:

> (c). Area Developer's execution of Franchisor's then-current form of general release (excluding only such claims as Area Developer and its Owners (if Area Developer is a business entity) may have under the Hawaii Franchise Investment Law);

3. Section 9.3(D) (under the heading "Transfer by Area Developer") is deleted in its entirety, and will have no force or effect; and the following paragraph is substituted in lieu thereof:

> D. Area Developer (and its Owners if Area Developer is a business entity), and any and all guarantors, have delivered to Franchisor a general release, in a form satisfactory to Franchisor, of all claims Area Developer, and its members, officers, directors, owners, employees, affiliates, successors and assigns, may have against Franchisor, and its members, officers, directors, owners, employees, affiliates, successors and assigns, excluding only such claims as Area Developer (and its Owners if Area Developer is a business entity), and any and all guarantors may have under the Hawaii Franchise Investment Law.

4. Each provision of this Amendment to the Agreement will be effective only to the extent (with respect to each provision) that the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., would apply to Area Developer's development area, without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have duly executed and delivered this Hawaii Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |
| Date: _____ | Date: _____ |

**ADDENDUM TO THE DISCLOSURE DOCUMENT FOR PURPOSES OF THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document (the "FDD"), the following provisions will supersede and apply to all One Hour Air Conditioning Franchising, L.L.C. franchise offered and sold in the state of Illinois:

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

**ILLINOIS AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

Notwithstanding anything contained in the foregoing Franchise Agreement (the "Agreement") and Franchise Disclosure Document to the contrary, the following provisions of the Illinois Franchise Disclosure Act (the "Act") shall apply to any franchise located in the State of Illinois or franchisee who is a resident of Illinois. The Act will control, to the extent of any inconsistency.

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |
| Date: _____ | Date: _____ |

**ILLINOIS AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

Notwithstanding anything contained in the foregoing Area Development Agreement (the "Agreement") and Franchise Disclosure Document to the contrary, the following provisions of the Illinois Franchise Disclosure Act (the "Act") shall apply to any franchise located in the State of Illinois or franchisee who is a resident of Illinois. The Act will control, to the extent of any inconsistency.

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE INDIANA FRANCHISE DISCLOSURE LAW**
**AND THE INDIANA DECEPTIVE FRANCHISE PRACTICES ACT**

Notwithstanding anything to the contrary set forth in the One Hour Air Conditioning Franchising, L.L.C. Franchise Disclosure Document (the "**FDD**"), the following provisions will supersede and apply to all franchises and development areas offered and sold in the State of Indiana:

1. The State Cover Page is amended to add the following Risk Factor:

   8. INDIANA LAW IS CONTROLLING FOR INDIANA FRANCHISEES.

2. The following language is added to the seventh paragraph of Item 12:

   "Notwithstanding the statements above, we are subject to Indiana Code §23-2-2.7-1(2) and §23-2-2.7-2(4), which prohibit us from competing unfairly with you within a reasonable area."

3. The "Summary" section of Item 17 (c) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Requirements for you to renew or extend") is amended by adding the following language:

   "However, no release language set forth in this Disclosure Document or Franchise Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

4. The "Summary" section of Item 17 (g) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "'Cause' defined – curable defaults") is amended by adding the following language:

   "However, the prohibition by Indiana Code § 23 2 2.7 1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Sections 16.2 and 16.3 of the Franchise Agreement in the State of Indiana, to the extent they may be inconsistent with such prohibition."

5. The "Summary" section of Item 17 (h) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "'Cause' defined – non-curable defaults") is amended by adding the following language:

   "However, the prohibition by Indiana Code § 23 2 2.7 1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Sections 16.2 and 16.3 of the Franchise Agreement in the State of Indiana, to the extent they may be inconsistent with such prohibition."

6. The "Summary" section of Item 17 (m) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Conditions for our approval of transfer") is amended by adding the following language:

"However, no release language set forth in this Disclosure Document or Franchise Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

7. The "Summary" section of Item 17 (v) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Choice of forum") is amended by adding the following language:

"However, any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement issued in the State of Indiana."

8. The "Summary" section of Item 17 (w) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Choice of law") is amended by adding the following language:

"However, except for federal law, Indiana law applies if the jurisdiction requirements of the Indiana Franchise Disclosure Law and Indiana Deceptive Franchise Practices Act are met."

9. The laws of the State of Indiana supersede any provisions of the Franchise Agreement, the Area Development Agreement, the other agreements or other state law if those provisions are in conflict with Indiana law.

10. Each provision of this Addendum to the FDD is effective only to the extent (with respect to each provision) that Indiana law would apply to your franchise or development area, without reference to this Addendum.

**INDIANA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

Franchisor and Franchisee hereby agree that the One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "**Agreement**"), will be amended as follows:

1. The following sentence is added to the end of Section 3.3 of the Agreement (under the heading "Customers"):

> "Notwithstanding the statements above, we are subject to Indiana Code §23-2-2.7-1(2) and §23-2-2.7-2(4), which prohibit us from competing unfairly with you within a reasonable area."

2. The following language is added to the end of Section 4.2(D) of the Agreement (under the heading "Renewal"):

> "However, no release language set forth in this Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

3. The following language is added to Section 15.2(D) of the Agreement (under the heading "Transfer by Franchisee"):

> "However, no release language set forth in this Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

4. The following language is added to the end of Section 16.1 of the Agreement (under the heading "Termination by Franchisor Without Opportunity to Cure"):

> "The prohibition by Indiana Code § 23 2 2.7 1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Sections 16.1 and 16.2 of the Franchise Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition."

5. The following language is added to the end of Section 16.2 of the Agreement (under the heading "Termination by Franchisor After Opportunity to Cure"):

> "The prohibition by Indiana Code § 23 2 2.7 1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Sections 16.1 and 16.2 of the Franchise Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition."

6. Section 17.4 of the Agreement is amended by adding the following sentence:

> "Notwithstanding the foregoing, Franchisee will not be obligated to indemnify Indemnitees for any liability caused by Franchisee's proper reliance on or use of

procedures or materials provided by Franchisor or caused by Franchisor's negligence."

7. The following language is added to the end of Section 18.6 of the Agreement (under the heading "Limitations Period"):

"The limitation of action set forth in this Section 18.6 is subject to the superseding provisions of Indiana Code §23-2-2.5-30 and §23-2-2.7-7, which provide for three years from the date of discovery and two years from the date of violation, respectively, in which to bring an action."

8. Section 18.7 of the Agreement (under the heading "No Punitive, Exemplary or Consequential Damages") is prohibited pursuant to Indiana Code §23-2-2.7-1(10), and therefore, is deleted and replaced with the following:

18.7 [intentionally deleted]

9. The following sentence is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

"However, except for federal law, Indiana law applies if the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7 are met."

10. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, the parties further agree as follows:

"If any of the provisions of this Agreement are inconsistent with the provisions of the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7 (the "Law"), then the provisions of the Law will apply to the extent that the Law is constitutional and valid as applied."

11. This Amendment to the Agreement will be effective only to the extent, with respect to such provision, that the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| | |
|---|---|
| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____<br>Name:<br>Title: | By:_____<br>Name:<br>Title: |
| Date: _____ | Date: _____ |

**INDIANA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

Franchisor and Area Developer hereby agree that the One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "**Agreement**"), will be amended as follows:

1. A new Section 2.8 is hereby added to the Agreement to read in its entirety as follows:

> "Notwithstanding the statements in this Article 2, we are subject to Indiana Code §23-2-2.7-1(2) and §23-2-2.7-2(4), which prohibit us from competing unfairly with you within a reasonable area."

2. The following language is added to the end of Section 6.1(D) of the Agreement (under the heading "Execution of Franchise Agreements, Continuing Franchise Fee"):

> "However, no release language set forth in this Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

3. The following language is added to the end of Section 7.2 of the Agreement (under the heading "Renewal"):

> "However, no release language set forth in this Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

4. The following language is added to Section 9.3(D) of the Agreement (under the heading "Transfer by Area Developer"):

> "However, no release language set forth in this Agreement will relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Indiana."

5. The following language is added to the end of Section 7.1 of the Agreement (under the heading "Default and Termination"):

> "The prohibition by Indiana Code § 23 2 2.7 1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Area Development Agreement, will supersede the provisions of Section 7.1 of the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition."

6. Section 9.8 of the Agreement is amended by adding the following sentence:

> "Notwithstanding the foregoing, Area Developer will not be obligated to indemnify Indemnified Parties for any liability caused by Area Developer's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence."

7. The following language is added to the end of Section 10.6 of the Agreement (under the heading "Limitations Period"):

> "The limitation of action set forth in this Section 10.6 is subject to the superseding provisions of Indiana Code §23-2-2.5-30 and §23-2-2.7-7, which provide for three years from the date of discovery and two years from the date of violation, respectively, in which to bring an action."

8. Section 10.7 of the Agreement (under the heading "No Punitive, Exemplary or Consequential Damages") is prohibited pursuant to Indiana Code §23-2-2.7-1(10), and therefore, is deleted and replaced with the following:

> 10.7 [intentionally deleted]

9. The following sentence is added to the end of Section 12.12 of the Agreement (under the heading "Applicable Law"):

> "However, except for federal law, Indiana law applies if the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7 are met."

10. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, the parties further agree as follows:

> "If any of the provisions of this Agreement are inconsistent with the provisions of the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7 (the "Law"), then the provisions of the Law will apply to the extent that the Law is constitutional and valid as applied."

11. This Amendment to the Agreement will be effective only to the extent, with respect to such provision, that the Indiana Deceptive Franchise Practices Law, Sections 1 through 7, Indiana Code §23-2-2.7-1 to –7, would apply to Area Developer's rights under the Agreement, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| | |
|---|---|
| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the Franchise Disclosure Document for One Hour Air Conditioning Franchising, L.L.C. (the "FDD") for use in the State of Maryland is amended as follows:

1. Item 12, "Territory," is amended by adding the following language at the end thereof:

> The general release required in the event you terminate your Franchise Agreement or your obligation under your Area Development Agreement in connection with our operation of a residential HVAC services business in your Territory under a trade name, trademark, or service mark other than the Licensed Marks for longer than 12 months will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," the "Summary" section (v.) of the Franchise Agreement chart and the Area Development Agreement chart are amended by adding the following language:

> The general releases required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The "Summary" section of Item 17 (h) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "'Cause' defined – non-curable defaults") are amended by adding the following language:

> Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

**MARYLAND AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. , Franchise Agreement (the "Agreement") agree as follows:

1. The following language is added to Sections 1.2 (under the heading "The Franchisee"):

> "Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

2. The following language is added to the end of Section 3.4 (under the heading "Reserved Rights"):

> "In addition, the general release provisions required as a condition of termination will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. The following language is added to Section 4.2(D) of the Agreement (under the heading "Renewal"):

> ", except that the general release provisions required as a condition of renewal will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

4. The following language is added to Section 15.2(D) of the Agreement (under the heading "Transfer by Franchisee"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

5. The following language is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

> "Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.",

6. The following language is added to the end of Section 18.6 of the Agreement (under the heading "Limitations Period"):

> "All claims arising under the Maryland Franchise Registration and Disclosure Law will be commenced within 3 years after the grant of the franchise."

7. The following language is added to Section 19.17 of the Agreement (under the heading "Entire Agreement/Amendments"):

"Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

8. Each provision of this Amendment to the Agreement is effective only to the extent (with respect to each provision) that the Maryland Franchise Registration and Disclosure Law, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____<br>Name:<br>Title | By:_____<br>Name:<br>Title: |
| Date: _____: | Date: _____ |

**MARYLAND AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. , Area Development Agreement (the "Agreement") agree as follows:

1. The following language is added to Sections 1.2 (under the heading "The Area Developer"):

> "Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

2. The following language is added to the end of Section 2.3 (under the heading "Reserved Rights"):

> "In addition, the general release provisions required as a condition of termination will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. The following language is added to Section 6.1(D) of the Agreement (under the heading "Execution of Franchise Agreements, Continuing Franchise Fee"):

> "(except that the general release provisions will not apply to any liability under the Maryland Franchise Registration and Disclosure Law);"

4. The following language is added to Section 7.2(c) of the Agreement (under the heading "Waiver, Extension"):

> "(except that the general release provisions will not apply to any liability under the Maryland Franchise Registration and Disclosure Law);"

5. The following language is added to Section 9.3(D) of the Agreement (under the heading "Transfer by Area Developer"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

6. The following language is added to the end of Section 10.3 of the Agreement (under the heading "Venue"):

> "Area Developer may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law."

7. The following language is added to the end of Section 10.6 of the Agreement (under the heading "Limitations Period"):

> "All claims arising under the Maryland Franchise Registration and Disclosure Law will be commenced within 3 years after the grant of the franchise."

8. The following language is added to Section 12.7 of the Agreement (under the heading "Entire Agreement"):

> "Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

9. Each provision of this Amendment to the Agreement is effective only to the extent (with respect to each provision) that the Maryland Franchise Registration and Disclosure Law, would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE MICHIGAN FRANCHISE INVESTMENT LAW**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE

FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL

INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P. O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE**
**CONSUMER PROTECTION DIVISION**
**ATTN: FRANCHISE**
**670 G. MENNEN WILLIAMS BUILDING**
**LANSING, MICHIGAN 48913**

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE MINNESOTA FRANCHISE INVESTMENT LAW**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document ("FDD") for One Hour Air Conditioning Franchising, L.L.C. for use in the State of Minnesota is amended to include the following:

1. The State Cover Page is amended to add the following statements:

**"THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE LICENSE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE."**

2. Item 13, "Trademarks," is amended by adding the following paragraph at the end of the Item:

"The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the trade name infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the trade name in accordance with the requirements of the license, and, as a condition to indemnification; Franchisee must provide notice to Franchisor of any such claims within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

3. The "Summary" section of Item 17 (c) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Requirements for you to renew or extend") is amended by adding the following language:

> "However, this general release provision will not apply to any liability under the Minnesota Rule2860.4400D or any liability imposed by Minnesota Statutes Chapter 80C."

4. The "Summary" section of Item 17 (g) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "'Cause' defined – curable defaults") is amended by adding the following language:

> "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

5. The "Summary" section of Item 17 (h) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "'Cause' defined – non-curable defaults") is amended by adding the following language:

> "With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."
>
> "Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq."

6. The "Summary" section of Item 17 (m) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Conditions for our approval of the transfer") is amended by adding the following language:

> "However, this general release provision will not apply to any liability under the Minnesota Rule2860.4400D or any liability imposed by Minnesota Statutes Chapter 80C."

7. The "Summary" section of Item 17 (v) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Choice of forum") is amended by adding the following language:

> "Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

8. The "Summary" section of Item 17 (w) of the Franchise Agreement chart and the Area Development Agreement chart (entitled "Choice of law") is amended by adding the following language:

"Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

9. The following language is added to the end of Item 17:

"These states have statutes which limit the franchisor's ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 et seq., Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor's ability to restrict your activity after the Franchise Agreement has ended."

10. Each provision of this Addendum to the FDD will be effective only to the extent, with respect to each provision, that the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce would apply to your franchise or development area, without reference to this Addendum.

**MINNESOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. , Franchise Agreement (the "Agreement") agree as follows:

1. The following language is added to Section 4.2(D) of the Agreement (under the heading "Renewal"):

> ", except that the general release provisions required as a condition of renewal will not apply to any liability under the Minnesota Rule 2860.4400D."

2. The following new Section 4.2(G) is added to the Agreement:

> G. Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (Subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement."

3. Section 11.5 of the Agreement (under the heading "Infringements") is amended to add the following language.

> "Franchisor will protect the Franchisee's right granted hereby to use the Licensed Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Licensed Marks. The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the trade name infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the trade name in accordance with the requirements of the franchise, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within 10 days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

4. The following language is added to Section 15.2(D) of the Agreement (under the heading "Transfer by Franchisee"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Minnesota Rule 2860.4400D."

5. The following language is added to the end of Section 15.2 of the Agreement (under the heading "Transfer by Franchisee"):

"Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. § 80C.14 (Subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld."

6. The following language is added to the end of Section 16.1 of the Agreement (under the heading "Termination by Franchisor Without Opportunity to Cure"):

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

7. The following language is added to the end of Section 16.2 of the Agreement (under the heading "Termination by Franchisor After Opportunity to Cure"):

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. At the election of Franchisor, effective upon the expiration of 90 days after giving of written notice in the event Franchisee defaults, and does not cure to One Hour Air's reasonable satisfaction within the 60-day notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Operations Manual or otherwise; provided, however, that Franchisee will be entitled to notice and opportunity to cure any such default only once in any 6 month period, and any subsequent occurrence of the same or substantially similar default within such six month period will entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of Notice and without opportunity to cure."

8. The following language is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

"Nothing contained herein will limit Franchisee's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

9. The following language is added to the end of Section 18.4 of the Agreement (under the heading "Injunctive Relief"):

"Notwithstanding the foregoing, Minn. Rule 2860.4400J prohibits requiring a franchisee to consent to a franchisor obtaining injunctive relief. Therefore, any requirement in this Section 18.4 that Franchisee consent to Franchisor's obtaining injunctive relief shall not apply."

10. The following language is added to Section 18.6 of the Agreement (under the heading "Limitations Period"):

"Notwithstanding the foregoing, any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, Subd. 5."

11. Minn. Rule 2860.4400J prohibits requiring a franchisee to waive a jury trial or consent to liquidated damages. Therefore Section 18.8 of the Agreement ("No Jury Trial") is deleted and replaced with the following:

18.8 [intentionally deleted]

12. The following language is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

13. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**MINNESOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. , Area Development Agreement (the "Agreement") agree as follows:

1. The following language is added to Section 6.1(D) of the Agreement (under the heading "Execution of Franchise Agreements, Continuing Franchise Fee"):

> ", except that the general release provisions will not apply to any liability under the Minnesota Rule 2860.4400D."

2. The following language is added to Section 7.2(c) of the Agreement (under the heading "Waiver, Extension"):

> ", except that the general release provisions will not apply to any liability under the Minnesota Rule 2860.4400D."

3. The following language is added to Section 9.3(D) of the Agreement (under the heading "Transfer by Area Developer"):

> ", except that the general release provisions required as a condition of transfer will not apply to any liability under the Minnesota Rule 2860.4400D."

4. The following language is added to the end of Section 10.3 of the Agreement (under the heading "Venue"):

> "Nothing contained herein will limit Area Developer's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

5. The following language is added to the end of Section 10.4 of the Agreement (under the heading "Injunctive Relief"):

> "Notwithstanding the foregoing, Minn. Rule 2860.4400J prohibits requiring a franchisee to consent to a franchisor obtaining injunctive relief. Therefore, any requirement in this Section 18.4 that Area Developer consent to Franchisor's obtaining injunctive relief shall not apply."

6. The following language is added to Section 10.6 of the Agreement (under the heading "Limitations Period"):

"Notwithstanding the foregoing, any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, Subd. 5."

7. Minn. Rule 2860.4400J prohibits requiring a franchisee to waive a jury trial or consent to liquidated damages. Therefore Section 10.8 of the Agreement ("No Jury Trial") is deleted and replaced with the following:

10.8 [intentionally deleted]

8. The following language is added to the end of Section 12.12 of the Agreement (under the heading "Applicable Law"):

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Area Development Agreement can abrogate or reduce any of Area Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Area Developer's rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

9. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply to Area Developer's rights under the Agreement, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE NEW YORK FRANCHISE LAW**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document ("FDD") for One Hour Air Conditioning Franchising, L.L.C. for use in the State of New York is amended as follows:

1. The following language is added to the State Cover Page:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT A STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.**

2. Item 3 of the FDD is amended by deleting the last paragraph and substituting the following:

"Neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. Moreover, there are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

3. The existing Item 4 of the FDD deleted and replaced by the following:

"Neither we, nor any of our affiliates, our predecessor or our officers during the 10 year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership."

4. Item 5 of the Disclosure Document is amended by adding the following to the subsection entitled "Standard Initial Fees":

"We will use the Initial Fee to cover our costs associated with fulfilling our obligations under the Franchise Agreement and to cover other overhead costs and expenses."

5. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by deleting "d", "j", "w" of the Franchise Agreement chart and the following new "d", "j", "w" are substituted in lieu thereof:

| **Provision** | **Selection in Franchise Agreement** | **Summary** |
|---|---|---|
| d. Termination by you | 3.4 and 16.5 | If we begin operation of a residential HVAC business under another trade name, trademark or service mark in your Territory, due to acquisition or otherwise, and we are unable to reach a mutually acceptable resolution of such situation, then you are entitled to terminate the Franchise |

| Provision | Selection in Franchise Agreement | Summary |
|---|---|---|
| | | Agreement. Such termination requires delivery of a general release. In addition, pursuant to New York General Business Law, you may terminate the Franchise Agreement upon any grounds available by law. |
| j. Assignment of contract by us | 15.1 | We can sell, assign, transfer or otherwise dispose of or deal with the Franchise Agreement, or any or all of our rights and obligations under the Franchise Agreement, to any one in our sole discretion. No assignment will be made except to an assignee who, in our judgment, is willing and able to assume our obligation under the Franchise Agreement. |
| w. Choice of law | 19.10 | Texas law applies. The foregoing choice of law should not be considered as a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33. |

6. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by deleting "d", "j" and "w" of the Area Development Agreement chart and the following new "d", "j" and "w" are substituted in lieu thereof:

| Provision | Selection in Area Development Agreement | Summary |
|---|---|---|
| d. Termination by you | 7.5 | Pursuant to New York General Business Law you may terminate the Area Development Agreement |

| Provision | Selection in Area Development Agreement | Summary |
|---|---|---|
| | | upon any grounds available by law. |
| j. Assignment of contract by us | 9.2 | We can sell, assign, transfer or otherwise dispose of the Area Development Agreement, or any or all of our rights and obligations under the Area Development Agreement, to any one in our sole and absolute discretion. No assignment will be made except to an assignee who, in our judgment, is willing and able to assume our obligation under the Area Development Agreement. |
| w. Choice of law | 12.12 | Texas law applies. The foregoing choice of law should not be considered as a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33. |

7. The following is added after the Area Development Agreement chart in Item 17:

"Notwithstanding the foregoing (including any choice of law provision) or anything in this Disclosure Document or the Franchise Agreement or Area Development Agreement to the contrary, to the extent that your Franchise or Development Area is subject to the New York General Business Law Article 33, Articles 680 through 695 (the "New York Law"), we will not require you to (i) waive compliance with any provision of New York Law or (ii) assent to any release, assignment, novation, waiver or estoppel which would relieve any person from any duty or liability imposed by the New York Law."

**8. THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

9. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if the franchisee is domiciled in or the franchise will

be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

**NEW YORK AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "Agreement") agree as follows:

1. The following language is added to the end of Section 4.2(D) of the Agreement (under the heading "Renewal"):

> "However, all rights you enjoy, and any causes of action arising in your favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

2. The following language is added to Section 15.2(D) of the Agreement (under the heading "Transfer by Franchisee"):

> "However, all rights the transferor enjoys, and any causes of action arising in its favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

3. A new Section 16.5 of the Agreement is added to read in its entirety as follows:

> "16.5 ***Termination by Franchisee.*** Franchisee may terminate this Agreement upon any grounds available at law."

4. The following is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

> "This section will not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

5. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| | |
|---|---|
| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____<br>Name:<br>Title: | By:_____<br>Name:<br>Title: |
| Date: _____ | Date: _____ |

**NEW YORK AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "Agreement") agree as follows:

1. The following language is added to the end of Section 2.3 of the Agreement (under the heading "Reserved Rights"):

   "However, all rights you enjoy, and any causes of action arising in your favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

2. The following language is added to the end of Section 6.1(D) of the Agreement (under the heading "Execution of Franchise Agreements, Continuing Franchise Fee"):

   "However, all rights you enjoy, and any causes of action arising in your favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

3. The following language is added to the end of Section 7.2(c) of the Agreement (under the heading "Waiver, Renewal"):

   "However, all rights you enjoy, and any causes of action arising in your favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

4. The following language is added to Section 9.3(D) of the Agreement (under the heading "Transfer by Area Developer"):

   "However, all rights the transferor enjoys, and any causes of action arising in its favor, from the provisions of New York General Business Law Sections 680 through 695 and the regulations issued thereunder, will remain in force. (It being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.)"

5. A new Section 7.5 of the Agreement is added to read in its entirety as follows:

   "7.5 ***Termination by Area Developer.*** Area Developer may terminate this Agreement upon any grounds available at law."

6. The following is added to the end of Section 12.12 of the Agreement (under the heading "Applicable Law"):

> "This section will not be considered a waiver of any right conferred upon Area Developer by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

7. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Area Developer is domiciled in or the franchises will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective area developer who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| | |
|---|---|
| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE NORTH DAKOTA FRANCHISE LAW**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document ("FDD") for One Hour Air Conditioning Franchising, L.L.C. is amended by the addition of the following language:

1. The following is added at the end of Item 17 of the FDD: The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, Area Development Agreement, the other agreements or other state law if those provisions are in conflict with North Dakota law.

2. The following is added at the end of Item 17 of the FDD: Concerning any franchise sold in the State of North Dakota, we cannot require you to agree in advance to mediation or litigation in a forum outside of North Dakota.

3. The following is added at the end of Item 17 of the FDD: North Dakota has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee signing a general release upon renewal of the Franchise Agreement in Item 17(c) of the Disclosure Document are deleted.

4. The following is added to summary column (r) of the Franchise Agreement chart in Item 17 of the FDD: Section 14.2 of the Franchise Agreement prohibits you from owning or being involved with a company or other business within the Territory that offers residential HVAC services competitive with those offered, franchised or licensed by us for 24 months, after termination or expiration of the Franchise Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

5. The following is added to summary column (r) of the Area Development Agreement chart in Item 17 of the FDD: Section 8.2 of the Area Development Agreement prohibits you from owning or being involved with a company or other business within the Development Area or any zip code where your Franchised Businesses served customers that offers residential HVAC services competitive with those offered, franchised or licensed by us for 24 months, after transfer, termination or expiration of the Franchise Agreement. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Each provision of this Addendum to the FDD is effective only to the extent, with respect to each provision, that the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-1 through 51-19-17, would apply to your franchise or development area, without reference to this Addendum.

**NORTH DAKOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Agreement (the "Agreement") for One Hour Air Conditioning Franchising, L.L.C. is amended as follows:

1. The following language is added to the end of Section 4.2(D) of the Agreement (under the heading "Renewal"):

> "However, North Dakota has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to Franchisee signing a general release upon renewal of the Franchise Agreement are deleted."

2. The following language is added to the end of Section 14.2 of the Agreement (under the heading "Post-Term Non-Competition")

> "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

3. The following language is added to the end of Section 18.2 of the Agreement (under the heading "Mediation"):

> "Pursuant to North Dakota Law, all mediation proceedings will take place at a site agreeable to all parties."

4. The following language is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 18.3 is deleted."

5. The following language is added to the end of Section 18.6 of the Agreement (under the heading "Limitations Period"):

> "Notwithstanding the statements above, any claims may be commenced within the time period provided under North Dakota Law."

6. The following language is added to the end of Section 18.7 of the Agreement (under the heading "No Punitive, Exemplary or Consequential Damages"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 18.7 is deleted."

7. The following language is added to the end of Section 18.8 of the Agreement (under the heading "No Jury Trial"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 18.8 is deleted."

8. The following language is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

> "The North Dakota Securities Commissioner has held any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, notwithstanding any provision of this Section 19.10 or otherwise in this Agreement, North Dakota law shall govern to the extent of any conflict between North Dakota law and any other law applicable in the Agreement."

9. The parties acknowledge and agree that laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or other state law if such provisions are in conflict with North Dakota law.

10. This Amendment to the Agreement is effective only to the extent, with respect to each provision, that the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| | |
|---|---|
| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____<br>Name:<br>Title: | By:_____<br>Name:<br>Title: |
| Date: _____ | Date: _____ |

**NORTH DAKOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Area Development Agreement (the "Agreement") for One Hour Air Conditioning Franchising, L.L.C. is amended as follows:

1. The following language is added to the end of Section 8.2 of the Agreement (under the heading "After Development Term")

> "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

2. The following language is added to the end of Section 10.2 of the Agreement (under the heading "Mediation"):

> "Pursuant to North Dakota Law, all mediation proceedings will take place at a site agreeable to all parties."

3. The following language is added to the end of Section 10.3 of the Agreement (under the heading "Venue"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 10.3 is deleted."

4. The following language is added to the end of Section 18.6 of the Agreement (under the heading "Limitations Period"):

> "Notwithstanding the statements above, any claims may be commenced within the time period provided under North Dakota Law."

5. The following language is added to the end of Section 10.7 of the Agreement (under the heading "No Punitive, Exemplary or Consequential Damages"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 10.7 is deleted."

6. The following language is added to the end of Section 10.8 of the Agreement (under the heading "No Jury Trial"):

> "The North Dakota Securities Commissioner has held any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, Section 10.8 is deleted."

7. The following language is added to the end of Section 12.12 of the Agreement (under the heading "Applicable Law"):

> "The North Dakota Securities Commissioner has held any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota to be unfair, unjust, or inequitable to North Dakota franchisees. (Section 51-19-09, N.D.C.C.) Accordingly, notwithstanding any provision of this Section 12.12 or otherwise in this Agreement, North Dakota law shall govern to the extent of any conflict between North Dakota law and any other law applicable in the Agreement."

8. The parties acknowledge and agree that laws of the State of North Dakota supersede any provisions of the Area Development Agreement, the other agreements or other state law if such provisions are in conflict with North Dakota law.

9. This Amendment to the Agreement is effective only to the extent, with respect to each provision, that the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE RHODE ISLAND FRANCHISE DISCLOSURE ACT**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19 28.1-1 through 19-28.1-34 the Franchise Disclosure Document (the "FDD") for One Hour Air Conditioning Franchising, L.L.C. for use in the State of Rhode Island is amended to include the following:

1. The following language is added to the end of Item 17, "Renewal, Termination, Transfer and Dispute Resolution":

   § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

This Addendum to the FDD is effective only to the extent, with respect to such provision, that the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, would apply to your franchise or development area, without reference to this Addendum.

**RHODE ISLAND AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19 28.1-1 through 19-28.1-34, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "**Agreement**") agree as follows:

1. The following sentence is added to the end of Section 18.3 of the Agreement (under the heading "Venue"):

   "§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that 'A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

2. The following sentence is added to the end of Section 19.10 of the Agreement (under the heading "Applicable Law"):

   "§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that 'A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

3. This Amendment to the Franchise Agreement is effective only to the extent, with respect to each provision, that the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |
| Date: _____ | Date: _____ |

**RHODE ISLAND AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19 28.1-1 through 19-28.1-34, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "**Agreement**") agree as follows:

1. The following sentence is added to the end of Section 10.3 of the Agreement (under the heading "Venue"):

   "§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that 'A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

2. The following sentence is added to the end of Section 12.12 of the Agreement (under the heading "Applicable Law"):

   "§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that 'A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.'"

3. This Amendment to the Area Development Agreement is effective only to the extent, with respect to each provision, that the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |
| Date: _____ | Date: _____ |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE SOUTH DAKOTA FRANCHISE INVESTMENT LAW**

In recognition of the requirements of the South Dakota Franchise Investment Law (the "Franchise Investment Law"), the Franchise Disclosure Document (the "FDD") for One Hour Air Conditioning Franchising, L.L.C. for use in the State of South Dakota is amended to include the following::

1. Article 37-5B-21 of the Franchise Investment Law provides that any condition, stipulation, or provision requiring a franchisee to waive compliance with or relieving a person of a duty or liability imposed by or a right provided by the Franchise Investment Law or a rule or order promulgated thereunder is void. Therefore, the following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the FDD: "Concerning any franchise or development area sold in the State of South Dakota, any provision of the Franchise Agreement or Area Development Agreement requiring you to waive our compliance with, or relieving us of any duty or liability imposed by, or waiving any right provided by the South Dakota Franchise Investment Law is void with respect to such waiver."

2. This Addendum to the FDD is effective only to the extent, with respect to such provision, the South Dakota Franchise Investment Law would apply to your franchise or development area, without reference to this Addendum.

**SOUTH DAKOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the South Dakota Franchise Investment Law (the "Franchise Investment Law"), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "**Agreement**") agree as follows:

1. Section 19.10 of the Franchise Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, any provision of this Agreement requiring you to waive our compliance with, or relieving us of any duty or liability imposed by, or waiving any right provided by the South Dakota Franchise Investment Law is void with respect to such waiver."

2. This Amendment to the Franchise Agreement is effective only to the extent, with respect to each provision, that the South Dakota Franchise Investment Law would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**SOUTH DAKOTA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the South Dakota Franchise Investment Law (the "Franchise Investment Law"), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "**Agreement**") agree as follows:

1. Section 12.12 of the Area Development Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, any provision of this Agreement requiring you to waive our compliance with, or relieving us of any duty or liability imposed by, or waiving any right provided by the South Dakota Franchise Investment Law is void with respect to such waiver."

2. This Amendment to the Area Development Agreement is effective only to the extent, with respect to each provision, that the South Dakota Franchise Investment Law would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| | |
|---|---|
| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE VIRGINIA FRANCHISE DISCLOSURE ACT**

In recognition of the requirements of the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, the Franchise Disclosure Document (the "FDD") for One Hour Air Conditioning Franchising, L.L.C. for use in the State of Virginia is amended as follows:

1. The "Summary" section of Item 17 (h) (entitled "'Cause' defined – non-curable defaults") is amended by adding the following language:

> "Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

2. This Addendum to the FDD is effective only to the extent, with respect to each provision, that the Virginia Retail Franchising Act would apply to your franchise or development area, without reference to this Addendum.

**VIRGINIA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement (the "Agreement") agree as follows:

1. The provisions of Section 16.2(E) of the Agreement will not be applicable to the Agreement signed by the Virginia franchisee entering into the attached Agreement.

2. This Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**VIRGINIA AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement (the "Agreement") agree as follows:

1. The provisions of Section 7.2 (C) of the Agreement will not be applicable to the Agreement signed by the Virginia area developer entering into the attached Agreement.

2. This Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Virginia Retail Franchising Act, Virginia Code, Title 13.1, Chapter 8, §§ 13.1-557 through 13.1-574, would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE WASHINGTON FRANCHISE INVESTMENT LAW**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document (the "FDD") for One Hour Air Conditioning Franchising, L.L.C. in connection with the offer and sale of franchises for use in the State of Washington is amended to include the following:

1. The following paragraphs are added to the end of Item 17, "Renewal, Termination, Transfer and Dispute Resolution":

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement or Area Development Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement or Area Development Agreement in your relationship with us, including the areas of termination and renewal of your franchise.In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

These states have statutes which limit the franchisor's ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 et seq., Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor's ability to restrict your activity after the Franchise Agreement has ended. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.

A provision in the Franchise Agreement or Area Development Agreement which terminate the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101."

2. The fifth paragraph of Item 12, "Territory" is deleted and replaced with the following:

> "We define two types of Prior Customers, "**Prior Business Customer**" and "**Former Open Territory Customers.**" "**Prior Business Customers**" are customers who, on the date you enter into your Franchise Agreement were located in the territory of another franchisee's Franchised Business and (i) paid for services of your Franchised Business or a Prior Business during the 24 months prior to the date you enter into your Franchise Agreement; and (ii) appear by name and address, on a written list received by us within 90 days of the date you enter into your Franchise Agreement. If both conditions are met, and you are a new franchisee, you may continue to service the Prior Business Customers for up to 24 months after you sign your Franchise Agreement provided that the other franchisee's franchise agreement with us allows such action. As of the date on which this Disclosure Document was issued, there is one franchise agreement in place in the State of Washington that would allow a new franchisee to continue to service Prior Business Customers who are located in the territory of the existing franchisee for a 24-month period if the new franchisee satisfies the conditions described in this paragraph. After the 24-month period, you must turn the Prior Business Customers over to the franchisee in whose territory the Prior Business Customers are located. If you sign a Franchise Agreement to renew an existing franchise, you will be restricted from servicing Prior Business Customers in the territory of another franchisee."

3. Each provision of this Addendum to the FDD will be effective only to the extent, with respect to each provision, that the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, would apply to your Franchise or Development Area, without reference to this Addendum.

**WASHINGTON AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement agree as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.

2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

3. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect One Hour's reasonable estimated or actual costs in effecting a transfer.

5. The undersigned hereby acknowledges receipt of this Amendment.

6. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**WASHINGTON AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement agree as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Area Development Agreement in Area Developer's relationship with Franchisor, including the area of termination of the Area Development Agreement. There may also be court decisions which may supersede the Area Development Agreement in Area Developer's relationship with Franchisor including the area of termination of the Area Development Agreement.

2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

3. A release or waiver of rights executed by an area developer will not include rights under the Washington Franchise Investment Protection Act (the "Act") except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

5. The undersigned hereby acknowledges receipt of this Amendment.

6. Each provision of this Amendment to the Area Development Agreement will be effective only to the extent, with respect to each provision, that the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, would apply to Area Developer's development area, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**ADDENDUM TO THE DISCLOSURE DOCUMENT**
**THE WISCONSIN FAIR DEALERSHIP LAW**

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the Franchise Disclosure Document (the "FDD") for One Hour Air Conditioning Franchising, L.L.C. in connection with the offer and sale of franchises or development areas for use in the State of Wisconsin is amended to include the following:

1. Article 135.04 of the Dealership Law requires that except in certain circumstances a franchisee must receive ninety (90) days written notice of termination, cancellation, or non-renewal of the franchise, stating all the reasons for such termination, cancellation, or non-renewal, and sixty (60) days in which to rectify any claimed deficiencies. Therefore, the following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the FDD: "Concerning any franchise sold in the State of Wisconsin, to the extent required under Wisconsin law, we will provide you at least 90 days written notice of any termination, cancellation, or non-renewal of your franchise, stating all of the reasons for such termination, cancellation or non-renewal. To the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies."

2. Item 17(w) of the Franchise Agreement chart and the Area Development Agreement chart in the FDD is amended by adding the following language thereto: "Concerning any franchise sold in the State of Wisconsin, to the extent that any provision of the Franchise Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law will control."

3. Each provision of this Addendum to the FDD will be effective only to the extent, with respect to each provision, that the Wisconsin Fair Dealership Law would apply to your franchise or development area, without reference to this Addendum.

**WISCONSIN AMENDMENT**
**TO ONE HOUR AIR CONDITIONING FRANCHISE AGREEMENT**

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Franchise Agreement agree as follows:

1. The Franchise Agreement is amended by adding a new Section 4.2(G) thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 4 to the contrary, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision not to grant you a successor franchise, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

2. The Franchise Agreement is amended by adding a new Section 16.5 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 16 to the contrary, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision to terminate this Agreement, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

3. Section 19.10 of the Franchise Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, to the extent that any provision of this Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law shall control."

4. Each provision of this Amendment to the Agreement will be effective only to the extent, with respect to each provision, that the Wisconsin Fair Dealership Law, would apply to Franchisee's franchise, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

| Franchisee: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

**WISCONSIN AMENDMENT**
**TO ONE HOUR AIR CONDITIONING AREA DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the parties to the attached One Hour Air Conditioning Franchising, L.L.C. Area Development Agreement agree as follows:

1. The Area Development Agreement is amended by adding a new Section 7.5 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 7 to the contrary, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision to terminate this Agreement, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

2. Section 12.12 of the Area Development Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, to the extent that any provision of this Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law shall control."

3. Each provision of this Amendment to the Area Development Agreement will be effective only to the extent, with respect to each provision, that the Wisconsin Fair Dealership Law, would apply to Area Developer's Area Development Agreement, without reference to this Amendment.

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

| Area Developer: | Franchisor:<br>**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.** |
|---|---|
| By:_____ | By:_____ |
| Name: | Name: |
| Title: | Title: |

# EXHIBIT K

# RENEWAL ADDENDUM

**RENEWAL ADDENDUM TO**
**ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C.**
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT RENEWAL ADDENDUM, with an effective date of _____ (the "**Renewal Addendum**"), is made by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**Franchisor**"), located at 12 Greenway Plaza, Suite 250, Houston, Texas 77046, and _____, a _____ _____ ("Franchisee"), located at _____(each a "**Party**" and collectively the "**Parties**").

BACKGROUND

A. Franchisor and Franchisee (or its predecessor) signed a franchise agreement having an effective date of _____ (together with all addenda, riders, amendments, and any modifications thereto referred to collectively as the "**Original Agreement**") granting Franchisee the right to operate a ONE HOUR AIR CONDITIONING & HEATING® or ONE HOUR HEATING & AIR CONDITIONING® business (a "**One Hour Business**") (the "**Franchised Business**").

B. The Original Agreement expires (or expired) on _____.

C. Franchisor and Franchisee have entered into a new Franchise Agreement (the "**Franchise Agreement**"), dated as of the effective date of this Renewal Addendum under which Franchisor is granting Franchisee a renewal franchise to continue operating the Franchised Business.

D. Franchisor and Franchisee wish to make certain modifications to the Franchise Agreement to reflect that it is for a renewal of franchise rights. (All capitalized terms used but not defined in this Renewal Addendum will have the meanings given in the Franchise Agreement).

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Renewal Addendum and in the Franchise Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Article 1. Effectiveness of Renewal**. This Renewal Addendum and the Franchise Agreement will become effective on the Effective Date identified in the Franchise Agreement. The term of the Original Agreement shall be deemed to have expired as of the Effective Date and all rights and responsibilities of Franchisor and Franchisee under the Original Agreement shall be deemed to be, and have been, in full force and effect until the Effective Date. Franchisee will have

no further rights under the Original Agreement after the Effective Date. All obligations of Franchisor and Franchisee which expressly or by their nature survive termination or expiration of the Original Agreement will continue in full force and effect subsequent to and notwithstanding the Effective Date and such termination or expiration and until they are satisfied or by their nature expire.

**Article 2. General Renewal Changes**. Franchisor and Franchisee agree that the following changes will be made to the Franchise Agreement to reflect that it is for the renewal of an existing franchised Franchisor Business.

**2.1. Franchisee Description**. Section 1.2 of the Franchise Agreement is deleted in its entirety and replaced with the following:

> 1.2 The Franchisee. Franchisee acknowledges that it has previously operated the Franchised Business, has independently investigated the business risks involved and other matters as Franchisee deems important, including current and potential market conditions and competitive factors and risks has had the opportunity to read Franchisor's Franchise Disclosure Document (the "**Franchise Disclosure Document**"), and has not relied on any representations not stated in this Agreement or in the Franchise Disclosure Document. Aware of the relevant facts, Franchisee desires to enter into this Agreement to obtain a license to use the System and the Licensed Marks to operate a Franchised Business within the geographic area stated on **Exhibit A** to this Agreement (the "**Territory**"). The Territory shall be determined by reference to the geographic areas specified in **Exhibit A** as of the date of this Agreement. The Territory geographic area may be defined by reference to zip codes, subsequent remapping changes by the U.S. Post Office shall not operate to expand the scope of the Territory. Territories in the franchise system granted to other One Hour franchisees may differ in size as compared to the Territory.

**2.2. Updated Representations and Warranties**. Section 2.1.A. of the Franchise Agreement is deleted in its entirety and replaced with the following:

> A. Franchisee is renewing this franchise for Franchisee's own account for the purpose of continuing operation of the Franchised Business, and not for the purpose of resale or redistribution or other speculative matter;

**2.3. Updated Representations and Warranties**. Section 2.1.B. of the Franchise Agreement is deleted in its entirety and replaced with the following:

> B. All information provided to Franchisor in Franchisee's renewal application packet, and other documents to induce Franchisor to renew this franchise was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in this information;

**2.4. Term.** Section 4.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

4.1 Term. Unless terminated earlier under **Article 16**, the term of this Agreement (the "**Term**") shall commence on the effective date stated in Exhibit A to this Agreement (the "**Effective Date**"). This Agreement terminates on the expiration date stated on **Exhibit A** of this Agreement (the "**Expiration Date**").

**2.5. Changes for Existing Site**. The following sentence will be added to the end of Section 5.2 of the Franchise Agreement, under the heading "Site Criteria":

Franchisee will continue to operate the Franchised Business at the Approved Location, but the remaining terms and conditions of this Section 5.2 will apply if Franchisee requests the right to relocate the Franchised Business during the Term and Franchisor grants that request.

**2.6. Improvement of Franchised Business**. Section 5.4 of the Franchise Agreement, under the heading "Conversion and Construction/Opening," is deleted in its entirety and replaced with the following:

5.4 ***Renovation and Re-Equipping of Franchised Business***. Franchisee is responsible for remodeling, refurbishing, renovating and/or re-equipping the business site of the Franchised Business to bring it into full compliance with the current System Standards, as further described in the Franchised Business Improvement Plan ("**FBIP**") attached to the renewal application packet, by the deadlines included in the FBIP.

**2.7. Initial Training**. Notwithstanding anything to the contrary in Section 6.1.B. or Section 7.1.K. of the Franchise Agreement, it will be Franchisor's option to require, or not require, in its sole discretion, Franchisee (and its Owners and senior management level employees, if any) to attend and successfully complete any training programs after the Effective Date, such as training conducted by Franchisor (or its affiliate) or the SuccessWare®21 (ASP Option) software system training (or training for other software package specified by Franchisor, which may be modified, updated, or replaced from time to time). If Franchisor does not require this training, Franchisee may still choose to send its senior management level employees, if any, to the two-phase training programs. Franchisee will be responsible for all the travel, living and meal expenses, and salaries, of Franchisee and its Owners and senior management level employees who attend the two-phase training programs.

**2.8. Operations Manual and System Standards**. Section 6.1.C. of the Franchise Agreement is deleted in its entirety and replaced with the following:

C. Franchisor will provide Franchisee with access to an electronic copy of the Operations Manual and System Standards via Franchisor's interactive electronic website or other means as Franchisor may designate from time to time, and Franchisor will, as it deems appropriate, make available to Franchisee any amendments to the Operations Manual and System Standards during the Term;

**2.9. Computer Software**. Section 6.1.D. of the Franchise Agreement is deleted in its entirety and replaced with the following:

D. If Franchisee is not already using the current SuccessWare® software (or other software package specified by Franchisor), Franchisor will tell Franchisee how to obtain, at no cost to Franchisee, the SuccessWare21 (ASP Option) software package (or other software package specified by Franchisor) which Franchisee is required to use in its Franchised Business; Franchisee will be responsible for all ongoing license fees, training fees, and the costs of any upgrades or replacements to the software package;

**2.10. Prior Marks Deleted.** Section 7.2.B of the Franchise Agreement, is deleted in its entirety and replaced with the following:

"Franchise shall not display, advertise or use in connection with the Franchised Business any trade name, trademark, logo, or other intellectual property that is not a part of the Licensed Marks."

**2.11. Removal of Some Franchisee Obligations**. Section 7.1.A. of the Franchise Agreement (related to timing for opening the Franchised Business) and Section 7.1.I. of the Franchise Agreement (related to the purchase of an opening inventory and supplies package) are deleted in their entirety and replaced with the phrase "[intentionally deleted]."

**2.12. Minimum Sales Performance Standards Phase-In Removed**. Section 7.5 of the Franchise Agreement is deleted in its entirety and replaced with the following:

"Franchisee must maintain a revenue level of at least $5,000 per 1,000 of population in the Territory (e.g., $500,000 per 100,000 of population) per annum ("**Minimum Sales Performance Standards**") each year throughout the Term. If Franchisee fails to meet the Minimum Sales Performance Standards during the Term, Franchisor has the right, by giving notice to Franchisee, to either; (a) declare that Franchisee's Territory is no longer Protected; that is, henceforth Franchisor shall have the right to (i) serve, or authorize others to serve, residential HVAC customers within the Territory; and/or (ii) operate, or to grant a franchise to another person or business entity to operate, a Franchised Business in Franchisee's Territory; or (b) terminate this Agreement. The Minimum Sales Performance Standards are not purchase commitments, but notice to Franchisee of the minimum sales goals that Franchisor expects Franchisee to achieve in the Territory. Franchisor may, in its sole discretion, temporarily waive compliance with this **Section 7.5** based on Franchisee's business circumstances; provided, however, any delay by Franchisor in declaring Franchisee's Territory non-Protected does not constitute a waiver of its right to, at any time, require strict compliance with the Minimum Sales Performance Standards or its right to notify Franchisee that its Territory has become non-Protected. In addition, as further described in **Section 19.9** below, any such waiver regarding one failure by Franchisee to comply with the Minimum Sales Performance Standards does not constitute a waiver with respect to any other failure by Franchisee to meet its Minimum Sales Performance Standards."

**2.13.** **Adjustment to Fees Provision**. Section 8.1 of the Franchise Agreement, under the heading "Initial Fees" is deleted in its entirety and replaced with the following, "[intentionally deleted]" in recognition that Franchisee is paying Franchisor a renewal fee, rather than an initial fee in exchange for the renewal of franchise rights.

**2.14.** **Removal of Marketing Fund Phase-In.** The second sentence of Section 8.4 of the Franchise Agreement, which reads "Payments of the Marketing Fund Contribution shall commence at the later of the date that Franchisor implements a Marketing Fund or ninety (90) days after the Effective Date" is deleted in its entirety and replaced with the following: "Payments of the Marketing Fund Contribution shall commence on the Effective Date."

**2.15.** **Removal of Fee Phase-In**. In Section 8.2 of the Franchise Agreement, under the heading "Continuing Franchise Fee," the words "Commencing on the first of the month following ninety (90) days after the Effective Date…" are deleted and replaced by the following, "Commencing on the first of the month following the Effective Date…".

**2.16.** **Removal of Licensed Marks Phase-In**. The Parties acknowledge that the requirements in Section 10.1 to use current Licensed Marks are of immediate effect, and that language making reference to phasing out Prior Marks is of no effect.

**2.17.** **Description of In-Term Non-Competition Obligations**. The Parties acknowledge that the non-competition requirements of Section 14.1 are of immediate effect and any language making reference to the temporary operation of a Prior Business is of no effect.

**2.18.** The second paragraph of Section 3.3 of the Franchise Agreement, is deleted in its entirety and replaced with the following:

> "Franchisee shall not service Prior Business Customers (defined below) located in the territory of another franchisee's Franchised Business. As provided in this **Section 3.3**, Franchisee may service, for a period of time, Former Open Territory Customers (defined below) located in the territory of another franchisee's Franchised Business."

**2.19.** The third paragraph of Section 3.3 of the Franchise Agreement is deleted in its entirety and replaced with the following:

> ""**Prior Business Customers"** are customers who, on the Effective Date of this Agreement, (i) were located in the territory of another franchisee's Franchised Business and (ii) paid for HVAC services from a residential HVAC service business owned and operated by Franchisee before Franchisee became a franchisee of Franchisor under a prior franchise agreement (a "**Prior Business**"). During the Term, Franchisee shall not service Prior Business Customers. Upon executing the Agreement, Franchisee shall turn any and all Prior Business Customers over to the franchisee in whose territory the customer is located.

**Article 3.** **Agreement to Upgrade the Franchised Business Premises**. As a condition to Franchisor's agreement to renew the franchise rights under the Franchise Agreement, Franchisee has agreed, and hereby agrees, to remodel, refurbish, renovate or re-equip the Franchised Business to bring it into full compliance with the System Standards as further described

in the Franchised Business Improvement Plan ("FBIP") attached as Exhibit A to this Renewal Addendum. (The parties acknowledge that the FBIP was attached to Franchisee's renewal packet and that, as of the Effective Date, many or all of the actions specified on the FBIP may already have been taken. If all the actions on the FBIP have been completed, no further action is required with regards to the FBIP by this Article 3.) Compliance with the FBIP will not waive or decrease Franchisee's obligation to comply with any obligations with regards to the premises under the Franchise Agreement. Franchisee acknowledges that any failure to fulfill any actions required under the FBIP by the deadlines specified in the FBIP will be a breach of the conditions for renewal contained in the Original Agreement and a breach of the Franchise Agreement, allowing Franchisor to terminate the Franchise Agreement.

**Article 4. Construction**. The background recitals are incorporated into this Renewal Addendum by this reference. This Renewal Addendum, together with its Exhibit A and the Franchise Agreement, represents Franchisor's and Franchisee's entire agreement pertaining to the subject matter of this Renewal Addendum and supersedes all prior and contemporaneous agreements, understandings and representations on that topic, whether oral or written. This Renewal Addendum shall be incorporated into and forms a part of the Franchise Agreement. If there is an inconsistency between the terms of this Renewal Addendum and the Franchise Agreement, this Renewal Addendum controls.

IN WITNESS WHEREOF, the parties have duly signed and delivered this Renewal Addendum as dated below.

| Franchisee: | Franchisor: |
|---|---|
| | ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C. |
| By: _____ | By: _____ |
| Name | Name |
| Title | Title |
| Date:_____ | Date:_____ |

**Exhibit A**
**FBIP**

## FRANCHISED BUSINESS IMPROVEMENT PLAN (FBIP)

### Office (if any)

| Start Date | Work to be Done | Finish Date | Notes | Franchisee Initials |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

### Vehicles

| Start Date | Work to be Done | Finish Date | Notes | Franchisee Initials |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

### Other Improvements

| Start Date | Work to be Done | Finish Date | Notes | Franchisee Initials |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

This FBIP includes the specific renovations and re-equipping work being required by One Hour Air Conditioning Franchising, L.L.C. ("Franchisor") as a condition for the renewal of your franchise. Although they may not be described above, you are also still responsible for complying with federal, state, and local government and other legal requirements that apply to your franchise. It is your responsibility to investigate and comply with these legal requirements, whether or not they are included in the FBIP. Silence on any of these legal requirements or of general Franchisor operating standards is not a waiver of your responsibility to comply with these laws and standards.

# EXHIBIT L

# GENERAL RELEASES

**GENERAL RELEASE**
**FOR RENEWAL OR TRANSFER**

This GENERAL RELEASE ("**Release**"), dated and effective this _____ day of _____ _____ is made by _____("**Releasor**") with reference to the following facts:

The undersigned Releasor is the Franchisee under, and signatory to, that certain Franchise Agreement dated _____, ____ ("**Franchise Agreement**") by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("Franchisor") and Releasor granting Releasor the right to use the ONE HOUR AIR CONDITIONING & HEATING® System and Licensed Marks to operate the Franchised Business subject to the terms provided thereunder.

Releasor agrees that all capitalized terms in this Release will have the meanings ascribed to them in the Franchise Agreement. This Release is being executed by the Releasor pursuant to the requirements of the Franchise Agreement in connection with Releasor's request for renewal or transfer of the Franchise Agreement, as applicable. Releasor understands and agrees that execution of this Release is a condition of Releasor's rights under the Franchise Agreement to renew or transfer the Franchise Agreement, as applicable and that Releasor's failure or refusal to execute this Release would result in Releasor's breach of the Franchise Agreement. In consideration of the Franchisor's approval of Releasor's request for renewal or transfer, Releasor executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, RELEASOR AGREES AS FOLLOWS:

1. General Release. In consideration of, and as an inducement to, Franchisor's agreement to renew or consent to a transfer of the Franchise Agreement, as applicable, Releasor, for itself and on behalf of its current and former parents, subsidiaries, affiliates and related entities, and its and their respective current and former shareholders, owners, officers, directors, members, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns, all persons acting on its or their behalf or claiming under it or them and all entities in which it or they has(ve) or had an ownership interest (individually, collectively, and in any combination, the "**Releasor Parties**"), hereby (i) releases and forever discharges Franchisor, its current and former parents, subsidiaries, affiliates and related entities, and its and their current and former shareholders, members, officers, directors, owners, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns (individually, collectively, and in any combination, the "**Released Parties**"), from any and all claims, debts, rights, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, of every nature, character or description whatsoever, at law or in equity, whether known or unknown, vested or contingent, suspected or unsuspected or anticipated or unanticipated which any or all of the Releasor Parties now own or have, have ever had, or may ever have, against any or all of the Released Parties arising prior to or as of the date of this Release, and (ii) agrees that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against the Released Parties relating to any claim or demand released under this Section 1; provided, however, that this release and covenant not to

sue will not apply to any claims that arise under any applicable federal or state franchise laws, except to the extent that such claims may by law be released by this Release. Releasor will take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon Franchisor's request. This Section 1 will survive the expiration or termination of this Release.

2. Waiver of Rights. This release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor (for itself and all other Releasor Parties) against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself and the other Releasor Parties, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which they would be entitled, now or at any time hereafter under the statutory or common law of the state where the Franchised Business is located, whether now or hereinafter existing under the laws of the state where the Franchised Business is located, or any other applicable federal and state law with jurisdiction over the parties relationship. Releasor, on its own behalf and on behalf of the other Releasor Parties, expressly waive the provisions of Section 1542 of the Civil Code of the State of California (as well as under any other statutes or common law principles of similar effect whether now or hereinafter existing), which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts.

3. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein will not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any claims made by or against Franchisor.

4. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

5. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

6. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

7. Controlling Law. This Release will be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.

IN WITNESS WHEREOF, Releasor has executed this Release on the date shown below.

Releasor:

By: _____
**Name**
**Title**

Date:_____

By: _____
**Name**
**Title**

**Date:**_____

Releasor:

_____
**Name**
**Title**

Date:_____

_____
**Name**
**Title**
**Date:**_____

**GENERAL RELEASE**
**RENEWAL OR TRANSFER**
**(for Owner)**

This GENERAL RELEASE ("**Release**"), dated and effective this ____ day of _____, ____, is made by _____ ("**Releasor**"), with reference to the following facts:

The undersigned Releasor is an owner of _____ ("**Franchisee**"). Franchisee is a signatory to that certain Franchise Agreement dated _____, ____ ("**Franchise Agreement**") by and between ONE HOUR AIR CONDITIONING FRANCHISING, L.L.C., a Florida limited liability company ("**Franchisor**"), and Franchisee. The Franchise Agreement grants Franchisee the right to use the ONE HOUR AIR CONDITIONING AND HEATING® System and Licensed Marks to operate a Franchised Business subject to the terms provided thereunder. The Releasor is subject to certain obligations in the Franchise Agreement.

Releasor agrees that all capitalized terms in this Release will have the meanings that are ascribed to them in the Franchise Agreement. This Release is being executed by the Releasor pursuant to the requirements of the Franchise Agreement in connection with Franchisee's request for renewal or transfer of the Franchise Agreement, as applicable. Releasor understands and agrees that execution of this Release is a condition of Franchisee's rights under the Franchise Agreement to renew or transfer the Franchise Agreement (as applicable), and that Releasor's failure or refusal to execute this Release would result in breach of the Franchise Agreement. In consideration of the Franchisor's approval of Franchisee's request for renewal or transfer, Releasor executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, RELEASOR AGREES AS FOLLOWS:

1. General Release. In consideration of, and as an inducement to, Franchisor's agreement to renew or consent to a transfer of the Franchise Agreement (as applicable), Releasor, for himself or herself, individually and on behalf of his or her past and present agents, representatives, servants, employees, guardians, legal representatives, successors and assigns, heirs, executors, administrators, attorneys, all persons acting on his or her behalf or claiming under him or her, and all entities in which he or she has or had an ownership interest (individually, collectively, and in any combination, the "**Releasor Parties**"), hereby (i) releases and forever discharges Franchisor, its current and former parents, subsidiaries, affiliates and related entities, and its and their current and former shareholders, members, officers, directors, owners, managers, attorneys, agents, representatives, employees, predecessors, successors and assigns (individually, collectively, and in any combination, the "**Released Parties**"), from any and all claims, debts, rights, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, of every nature, character or description whatsoever, at law or in equity, whether known or unknown, vested or contingent, suspected or unsuspected or anticipated or unanticipated which any or all of the Releasor Parties now own or have, have ever had, or may ever have, against any or all of the Released Parties arising prior to or as of the date of this Release, and (ii) agrees that none of them will institute any

litigation or other legal action or proceeding, at law or in equity, against the Released Parties relating to any claim or demand released under this **Section 1**; provided, however, that this release and covenant not to sue will not apply to any claims that arise under any applicable federal or state franchise laws, except to the extent that such claims may by law be released by this Release. Releasor will take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon Franchisor's request. This Section 1 will survive the expiration or termination of this Release.

2. Waiver of Rights. This release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor (for itself and all other Releasor Parties) against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for himself or herself and the other Releasor Parties, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which they would be entitled, now or at any time hereafter under the statutory or common law of the state where the Franchised Business is located, whether now or hereinafter existing under the laws of the state where the Franchised Business is located, or any other applicable federal and state law with jurisdiction over the parties relationship. Releasor, on his or her own behalf and on behalf of the other Releasor Parties, expressly waives the provisions of Section 1542 of the Civil Code of the State of California (as well as under any other statutes or common law principles of similar effect whether now or hereinafter existing), which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts.

3. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein will not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any claims made by or against Franchisor.

4. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

5. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

6. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

7. Controlling Law. This Release will be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.

IN WITNESS WHEREOF, Releasor has executed this Release on the date shown below.

| | |
|---|---|
| Releasor: | Releasor: |
| _____ | _____ |
| Name: | Name: |
| Date: _____ | Date: _____ |
| _____ | _____ |
| Name | Name: |
| Date:_____ | Date:_____ |

# EXHIBIT M

# UWIN AGREEMENT

ATTENTION FRANCHISEES

You have been approved to participate in the UWIN Customer Complaint Resolution Program. Attached is your UWIN Participation Agreement and applicable guaranty, each of which includes terms and conditions of participation.

Once UWIN receives your original, signed agreement you will be sent the UWIN Welcome Packet. You will also be added as a contractor on the UWIN website.

# UWIN PARTICIPATION AGREEMENT FOR FRANCHISEES

THIS UWIN PARTICIPATION AGREEMENT FOR FRANCHISEES, having an effective date of _____ (the "**Agreement**"), is made by and between UWIN, LLC, a Florida limited liability company ("**UWIN**"), and the home services contractor identified on the signature page ("**Contractor**") who, in consideration of the promises set forth below, agree as follows:

## Article 1. NATURE AND SCOPE OF AGREEMENT

1.1. **UWIN**. UWIN is a customer service resource that provides customers information and assistance with resolution and reparations concerning their transactions with participating home services contractors (the "**Customer Complaint Resolution Program**"). Participants in the Customer Complaint Resolution Program display UWIN's distinctive seal of approval and its associated marks, logos, and designs (collectively, the "**Seal**").

1.2. **Contracto**r. Contractor is a franchisee of one of UWIN's affiliates (each, a "**Franchisor**") and, pursuant to its franchise agreement ("**Franchise Agreement**"), has obtained the right to use the Franchisor's system in conjunction with the operation of its residential home repair services business ("**Contractor's Business**"). In connection with the operation of the Contractor's Business, Contractor desires, and hereby agrees, to participate in the Customer Complaint Resolution Program.

1.3. **Representations and Warranties**. Contractor represents and warrants to UWIN as follows:

A. Contractor has independently investigated the business risks involved in participating in the Customer Complaint Resolution Program and such other matters as Contractor deems important.;

B. All information Contractor has provided to UWIN to induce UWIN to grant Contractor the right to participate in the Customer Complaint Resolution Program was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information;

C. Contractor's execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment made by Contractor;

D. If Contractor is a business entity, Contractor is duly organized and validly existing, is qualified to do business in each state where Contractor is or will conduct business, and is duly authorized to execute and deliver this Agreement and perform Contractor's obligations pursuant to this Agreement; and

E. This Agreement represents a valid, binding obligation of Contractor.

1.4. **Owner's Guaranty**. If Contractor is a business entity, each individual with an ownership interest in Contractor (each, an "**Owner**") is required to execute an Owner's Guaranty in favor of UWIN (the form of which is attached as **Exhibit A**) and deliver the executed

copy to UWIN with this signed Agreement, or if such ownership interest is acquired later, within 10 days after becoming an Owner.

## Article 2. SCOPE OF PARTICIPATION

2.1. **Participation in the Customer Complaint Resolution Program**. UWIN grants Contractor the non-exclusive right to participate in the Customer Complaint Resolution Program, pursuant to the terms of this Agreement and its requirements as established by UWIN from time to time. Contractor agrees to comply with the Customer Complaint Resolution Program and the requirements provided by UWIN from time to time, including but not limited to the use of any related written or electronic customer materials.

2.2. **Grant of License.** Subject to the terms and conditions of this Agreement, UWIN grants Contractor a non-exclusive, revocable license to use the Seal in connection with the Customer Complaint Resolution Program and Contractor's Business. Contractor accepts such grant and agrees to display the Seal on its business materials, website, advertising and marketing only in the form and manner, and only with appropriate legends and proprietary notices, as may be prescribed by UWIN from time to time. UWIN has the right (but not the obligation) to review and approve all labeling, advertising, displays and other items on which the Seal appears prior to the use of such items by Contractor. Contractor agrees to permit UWIN to inspect any materials bearing the Seal and to comply in a timely fashion with any instruction from UWIN as to the proper use of the Seal or any request to modify or discontinue any use of the Seal.

2.3 **Term**. Unless terminated earlier pursuant to Article 5, the term of this Agreement will be from the date of this Agreement until the expiration or termination of the Franchise Agreement ("**Term**"). During the term, if requested by UWIN, Contractor agrees to execute any then current form of UWIN's participation agreement and all other agreements then customarily used by UWIN in granting rights to use the Customer Complaint Resolution Program, which agreements may contain terms and conditions that are materially different from the terms and conditions in this Agreement.

2.4 **Reserved Rights**. UWIN reserves all rights not specifically granted to Contractor herein. This Agreement does not limit the right of UWIN to use or authorize others to participate in the Customer Complaint Resolution Program, use the Seal, or to engage in or license any business activity, including, without limitation, the operation or franchising of residential home repair services businesses under the Seal at any location, and/or under any other trade name, trademark or service mark now or hereafter owned by or licensed to UWIN or its affiliates at any location.

2.5 **Modification of the Customer Complaint Resolution Program and/or Seal**. The parties agree that UWIN, in its sole discretion, may change or modify the Customer Complaint Resolution Program, including the Graphics Manual and/or the Seal, from time to time. Contractor agrees to modify its operations, including any display of the Seal, to comply with the new standards established by UWIN within a reasonable time after UWIN notifies Contractor of any such change. If such change is made, reference in this Agreement to the Customer Complaint Resolution Program and/or Seal will be deemed to refer to such new program, mark or seal.

2.6 **Goodwill**. All improvements and additions to or associated with the Customer Complaint Resolution Program, whenever and by whomever made, and all service mark and trademark registrations and goodwill at any time associated with the Customer Complaint

Resolution Program, including the Seal, are the property of UWIN. All goodwill established by Contractor's use of the Seal and Customer Complaint Resolution Program will inure to the sole and exclusive benefit of UWIN. Upon expiration or termination of this Agreement, no monetary amount will be assigned or attributed to any goodwill associated with Contractor's participation in the Customer Complaint Resolution Program or use of the Seal.

2.7 **Ownership of Customer Complaint Resolution Program**. Contractor acknowledges and agrees that it will not acquire any proprietary rights in the Customer Complaint Resolution Program or the Seal by virtue of its participation in the Customer Complaint Resolution Program. Contractor agrees not to contest (A) UWIN's unrestricted and exclusive ownership of the Customer Complaint Resolution Program and Seal or (B) UWIN's right to grant licenses to use the Seal. Contractor acknowledges that it does not have any right to authorize others to participate in any part of the Customer Complaint Resolution Program, including any use of the Seal, and that all materials relating to the Customer Complaint Resolution Program will at all times remain the sole property of UWIN.

## Article 3. CUSTOMER COMPLAINT RESOLUTION

3.1 **Resolution of Complaints**. Contractor agrees to follow, and authorizes UWIN to follow, the resolution provisions described in this Article 3 for any and all disputes which may arise between Contractor and its customers during the Term.

3.2 **Contractor's Resolution**. Contractor will use good faith efforts to resolve any and all disputes that Contractor may have with its customers and former customers regarding the material used by Contractor, the labor performed or the craftsmanship displayed by Contractor with respect to work for which it has charged or intends to charge its customers.

3.3 **UWIN's Intervention**. If a customer of Contractor notifies UWIN that a dispute exists between such customer and Contractor regarding the material used by Contractor, labor performed or the craftsmanship displayed by Contractor with respect to work for which Contractor has charged, or intends to charge, that customer (a "Customer Complaint"), UWIN will advise the customer that UWIN will promptly notify Contractor of the Customer Complaint and that Contractor will have 48 hours to resolve the Customer Complaint to customer's satisfaction.

3.4 **Remedial Actions**. If Contractor fails to resolve a Customer Complaint to the customer's satisfaction within 48 hours after receiving notice of the Customer Complaint from UWIN, UWIN, in its sole discretion and without notice to Contractor, has the right to either:

A. pay customer the dollar amount that UWIN determines to be in dispute;

B. pay customer the dollar amount that UWIN determines is required to complete the work, if unfinished; or

C. pay an independent third party contractor to complete the work, if unfinished (each of these, a "**Remedial Payment**").

Contractor authorizes and directs UWIN to make any of the foregoing Remedial Payments and take such other related actions required to resolve the Customer Complaint as UWIN, in its sole discretion, deems appropriate. Nothing herein is intended to be deemed to cause UWIN to be a guarantor or third party to Contractor's obligation to its customers and Contractor

shall not represent anything to the contrary to its customers. Contractor agrees to reimburse UWIN for the full amount of any Remedial Payment made under this Section 3.4 within 15 days after UWIN notifies Contractor of such Remedial Payment. If Contractor does not reimburse UWIN for the full amount of any Remedial Payment within the 15-day period, UWIN has the right to assess and collect a past due service charge equal to the lesser of 1.5% per month or the maximum interest rate permitted by law on such past due amounts beginning from the date UWIN made the Remedial Payment. Contractor's obligations under this Article 3 will continue after the termination or expiration of this Agreement with regard to (i) any work performed by Contractor prior to the date of termination or expiration of this Agreement and (ii) any work performed by Contractor while it is displaying the Seal, regardless of whether such work was performed prior to or after the date of termination or expiration of this Agreement.

3.5 **Records and Reports**. To assist with UWIN's intervention under this Article 3 and assistance with Customer Complaints, Contractor agrees to maintain accurate books and records and to provide UWIN with information, within 5 days after UWIN's request, in a format specified by UWIN, regarding (A) the number of service calls made by Contractor, (B) the number and description of each complaint made by a customer of Contractor, (C) the status of each complaint and the steps taken by Contractor to resolve the complaint, and (D) the amount of money, if any, paid by Contractor's customer or by Contractor to resolve the complaint.

## Article 4. TRANSFER

4.1 **Transfer by UWIN**. UWIN has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, affiliate, limited liability company or other third party as UWIN may in its sole discretion deem appropriate. In the event of any such sale, assignment, transfer, or other disposition, UWIN will be released from any liability under this Agreement for the obligations transferred.

4.2 **Transfer by Contractor**. Contractor acknowledges that the granting of the rights hereunder is based on UWIN's investigation of Contractor's qualifications and that such rights are personal to Contractor and therefore Contractor will not sell, divide, encumber, assign, hypothecate, mortgage, sub-license, or otherwise transfer through any means any part of this Agreement or its rights or obligations hereunder. Any actual, attempted or purported transfer occurring without UWIN's prior written consent will constitute a default of this Agreement and will be null and void.

## Article 5. TERMINATION AND EXPIRATION

5.1 **Mutual Agreement**. The parties may terminate this Agreement at any time upon mutual agreement.

5.2 **Termination by UWIN**. UWIN may terminate this Agreement, in its sole discretion, upon 60-days notice to Contractor.

5.3 **Termination by UWIN Without Opportunity to Cure**. Contractor will be deemed to be in default under this Agreement, and UWIN may, at its option, terminate this Agreement and all rights granted herein effective immediately, without giving Contractor notice of, or the opportunity to cure, the default, if Contractor;

A. makes (or is deemed to have made) a general assignment for the benefit of creditors, or if a petition is filed against Contractor under the Bankruptcy Code and not dismissed within 60 days of filing, or if a petition is filed by Contractor under the Bankruptcy Code, or if Contractor is declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed of or for Contractor, or if Contractor commits any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings, or if Contractor admits in writing an inability to pay debts generally as they become due;

B. has any of the products or chattels of Contractor's Business at any time seized or taken in execution or in attachment by a creditor of Contractor, or a writ of execution is issued against such products or chattels;

C. has willfully or fraudulently misrepresented any fact, condition or report made in any application given to UWIN or required to be made by this Agreement; or

D. by its actions, or its failure to take an action that it is required to take, adversely affects the goodwill associated with the Customer Complaint Resolution Program or the Seal.

5.4 **Termination by UWIN After Opportunity to Cure**. Contractor will be deemed to be in default of this Agreement, and UWIN, at its option, may terminate this Agreement and all rights granted herein effective as of the time noted, if Contractor:

A. fails to pay when due any monies owed to UWIN and such default is not cured within 10 days after delivery of Notice thereof from UWIN;

B. fails to resolve one or more disputes with its customers to the satisfaction of UWIN in accordance with the Customer Complaint Resolution Program and this Agreement; or

C. is in default of any of Contractor's other obligations contained in this Agreement or in any other agreement or instrument entered into or made between Contractor and UWIN (or one of its affiliates) relating to Contractor's Business and fails to cure such default to UWIN's satisfaction within 30 days after receiving Notice from UWIN or its affiliate to cure the same.

5.5 **Other Relief**. Any termination under Sections 5.1, 5.2, 5.3 and 5.4 of this Agreement will be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which UWIN may otherwise be entitled against Contractor. All moneys paid by Contractor to UWIN under this Agreement or otherwise will be retained by UWIN as consideration for the rights and benefits previously conferred on Contractor hereunder. The foregoing remedy does not exclude any of the remedies which UWIN may have at law or in equity by reason of the default, breach or non-observance by Contractor of any provision of this Agreement.

5.6 **Contractor's Obligations on Termination or Expiration**. Upon the termination or expiration of this Agreement for any reason whatsoever, Contractor will forthwith cease to be enrolled in the Customer Complaint Resolution Program and must immediately:

A. pay UWIN all outstanding and unpaid amounts and charges that have or will thereafter become due hereunder or under any other agreement between Contractor and UWIN, including but not limited to the amount of any Remedial Payments and/or interest on past due Remedial Payments (as described in Section 3.4 above);

B. thereafter not, directly or indirectly, represent to the public that Contractor's Business is operated in association with UWIN or the Customer Complaint Resolution Program, or hold itself out as a present or former participant in the Customer Complaint Resolution Program;

C. cease to use, directly or indirectly, in advertising or in any other manner whatever, the Seal, any mark similar to the Seal, or any other identifying characteristics or indicia of operation of the Customer Complaint Resolution Program;

D. notify the telephone company, and all listing agencies displaying the seal on contractor's behalf, of the termination or expiration of Contractor's right to use the Seal;

E. permit UWIN, at Contractor's expense, to enter the location from which Contractor's Business is conducted in order to remove any and all personal property of Contractor which displays the Seal or any distinctive feature or device associated with the Customer Complaint Resolution Program, including any and all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies or forms; and

F. delete any references to UWIN or the Seal from any website used by Contractor.

## Article 6. DISPUTES AMONG PARTIES AND WITH THIRD PARTIES

6.1 **Complaints**. Contractor must immediately provide UWIN with copies of any correspondence, notices or other complaints relating to the operation or activities of Contractor's Business that Contractor receives from any of its customers, any Better Business Bureau or any federal, state or local regulatory or governmental agency

6.2 **Infringements**. Contractor must give Notice to UWIN immediately upon learning of any alleged infringement or a challenge to Contractor's use of the Customer Complaint Resolution Program or the Seal, or any claim by any third party of any rights in the Customer Complaint Resolution Program, the Seal or any other mark. Contractor agrees not to communicate with any person other than UWIN or UWIN's attorneys and Contractor's attorneys in connection with any alleged infringement, challenge or claim.

6.3 **Disputes Concerning Customer Complaint Resolution Program**. UWIN has the sole right and responsibility to handle and resolve litigation, trademark office

proceedings or other administrative proceedings, or other disputes with third parties (including imitators and infringers) concerning the Customer Complaint Resolution Program and/or the use of all or any part of the Seal. UWIN does not have any obligation to initiate suit against imitators or infringers, and may settle any dispute by grant of a license or otherwise. Contractor will sign all instruments and documents, provide assistance and take any action that, in the opinion of UWIN's attorneys, may be necessary or advisable to protect and maintain UWIN's interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain UWIN's interest in the Customer Complaint Resolution Program and/or the Seal.

6.4 **No Punitive, Exemplary or Consequential Damages**. **EXCEPT WITH RESPECT TO CONTRACTOR'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO SECTION 7.3 AND CLAIMS UWIN BRINGS AGAINST CONTRACTOR FOR CONTRACTOR'S UNAUTHORIZED USE OF THE CUSTOMER COMPLAINT RESOLUTION PROCESS OR SEAL, UWIN AND CONTRACTOR AND CONTRACTOR'S RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND WILL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.**

6.5 **No Jury Trial**. UWIN AND CONTRACTOR IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

6.6 **Attorneys' Fees**. The prevailing party in any litigation arising out of or relating to this Agreement will be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

6.7 **Applicable Law**. This Agreement will be governed, construed and interpreted in accordance with the substantive laws of the state in which UWIN has its principal place of business at the time a dispute arises, without giving effect to its conflict of law principles.

6.8 **Venue**. **UWIN AND CONTRACTOR AGREE THAT (A) ANY STATE COURT OF GENERAL JURISDICTION SITTING IN THE COUNTY AND STATE WHERE UWIN HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED OR (B) THE UNITED STATES DISTRICT COURT FOR THE COUNTY AND STATE WHERE UWIN HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED WILL BE THE VENUE AND EXCLUSIVE FORUM IN WHICH TO ADJUDICATE ANY CASE OR CONTROVERSY ARISING FROM OR RELATING TO THIS AGREEMENT, AND UWIN AND CONTRACTOR IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURT AND WAIVES ANY OBJECTION IT MAY HAVE TO EITHER THE JURISDICTION OR VENUE OF SUCH COURT**.

## Article 7. RELATIONSHIP AND INDEMNIFICATION

7.1 **Independent Parties**. Contractor is and will at all times remain an independent contractor and is not and will not represent itself to be the agent, joint venturer, partner or employee of UWIN, or to be related to UWIN other than as a participant in the Customer Complaint Resolution Program. Contractor will not make any representations or take any acts

which could establish any apparent relationship of agency, joint venture, partnership or employment with UWIN, and UWIN will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by Contractor to any other person nor with respect to any other action of Contractor. No acts of assistance given by UWIN to Contractor will be construed so as to alter this relationship.

7.2 **Non-Liability**. UWIN is not obligated or liable for any injury or death of any person or damage to any property caused by Contractor's acts, failure to act, negligence or willful conduct, or for any other liability of Contractor.

7.3 **Contractor Indemnity**. Contractor hereby agrees to indemnify, hold harmless and, upon request, defend UWIN, its affiliates, and their respective members, owners, shareholders, directors, officers, employees and agents (the "**Indemnified Parties**"), from and against all suits, proceedings, assessments, losses, claims, liabilities, demands or actions of any nature or kind whatsoever ("**Claims**"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

A. the failure of Contractor to pay when due any levies, taxes or assessments that Contractor may be required by applicable law to pay;

B. Contractor's operation of Contractor's Business;

C. Contractor's acts, failure to act, or negligence or willful conduct; or

D. any failure to comply with the obligations described under this Agreement, including but not limited to Remedial Payments made under Section 3.4 and any related actions taken in connection therewith; and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

## Article 8. GENERAL

8.1 **Inquiry by UWIN.** Contractor, by its execution of this Agreement, authorizes UWIN and its agents and representatives to make credit and background checks, including, without limitation, reasonable inquiries of Contractor's bankers, suppliers and other trade creditors regarding their dealings with Contractor in relation to Contractor's Business, to discuss the affairs, finances and accounts of Contractor's Business with Contractor's bankers; and Contractor, by its execution of this Agreement, authorizes and directs such bankers, suppliers and trade creditors to discuss with UWIN and its authorized agents and representatives the affairs, finances and accounts of Contractor's Business. If requested, Contractor agrees to execute and deliver such directions and other documents as UWIN may require in order to authorize such bankers, suppliers and trade creditors to release or disclose any such information and documents to UWIN.

8.2 **Notices**. All notices, consents and approvals permitted or required to be given under this Agreement must be in writing and will be deemed to be sufficiently and duly given if set forth in writing and, in the case of Contractor, left with an adult person working at Contractor's Business, or, in the case of either party, if sent by a prepaid certified letter or by overnight courier service or transmitted by facsimile, electronic mail or other form of recorded

communication tested prior to transmission (with a confirming copy mailed to the addresses shown on the signature page) or such other address or facsimile number provided by one party to the other party for notices. Any notice so given or made will be deemed to have been given or made and received on the earlier of (A) the day of delivery or (B) one business day after transmission by facsimile or other form of recorded communication service of the same or by overnight courier service, as the case may be, or (C) on the third business day following the day of mailing of the same by certified mail.

8.3 **Approvals or Consents**. Requests by Contractor for approvals or consents must be in writing and timely made. Approvals and consents by UWIN will not be effective unless in writing and duly executed by UWIN. Except as expressly provided to the contrary herein, UWIN may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and will not be required to show "reasonableness" or to comply with any other standard in connection herewith.

8.4 **Non Waiver**. The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, will not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. UWIN's acceptance of payments due under this Agreement will not constitute a waiver of any breaches by Contractor that precede the acceptance of such payments.

8.5 **Effect of Standards**. UWIN's specifications of the Customer Complaint Resolution Program will not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. UWIN will not be liable to Contractor or others on account of the specifications of the Customer Complaint Resolution Program.

8.6 **Further Assurances**. The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its fullest extent.

8.7 **Successors and Assigns**. This Agreement will inure to the benefit of and be binding upon UWIN, Contractor and their respective heirs, legal representatives, successors and permitted assigns.

8.8 **No Third Party Beneficiaries**. Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and does not confer a benefit on, or give rise to liability to, a third party. No agreement between UWIN and a third party is for the benefit of Contractor.

8.9 **Construction.** Contractor acknowledges that it had the opportunity to be represented by an attorney in connection with the execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement will be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

8.10 **Entire Agreement/Amendments**. UWIN and Contractor each acknowledge and warrant to each other that they wish to have all terms of the business relationship defined in this Agreement. Neither UWIN nor Contractor wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations set forth herein. Accordingly, UWIN and Contractor agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between UWIN or anyone acting on its behalf and Contractor or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and UWIN and Contractor each agree that they have placed, and will place, no reliance on any such discussion. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further rights or offer of rights have been promised to Contractor and no such rights or offer of rights will come into existence, except by means of a separate writing, executed by an officer of UWIN or such other entity granting the rights and specifically identified as a modification of this Agreement. No change, modification, amendment or waiver of any of the provisions hereof will be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by the party to be charged.

8.11 **Survival**. All obligations of UWIN and Contractor which expressly or by their nature survive termination or expiration or transfer of this Agreement, including but not limited to the Remedial Payment obligations in Article 3, the dispute resolution provision in **Article 6,** and the Relationship and Indemnification provisions of **Article 7**, will continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any express representations made by Franchisor in any Franchise Disclosure Document.

8.12 **Severability of Provisions**. Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement will not affect the validity or enforceability of any other part of this Agreement.

8.13 **Counterparts**. This Agreement may be executed in counterparts, and each counterpart when so executed and delivered will be deemed an original.

## Article 9. ACKNOWLEDGEMENTS

9.1 **Control of Contractor's Business**. Contractor understands and acknowledges that UWIN will not be exercising any control over its method of operations or give Contractor any significant assistance in the day-to-day operations of its residential home repair services business. Specifically, UWIN has no control over and no obligation to provide any assistance with respect to any of the following activities: site approval or selection; site design or appearance; hours of operation; service techniques; account or management policies and practices;

personal policies or practices; promotional campaigns; service or marketing territories; and training programs.

9.2 **Contractor Business Trademark**. Contractor acknowledges that, notwithstanding the license of the Seal under this Agreement, the Contractor's Business will primarily be associated with Contractor's name, trademarks, and logos and not substantially associated with the Seal. Contractor's display and use of the Seal will be in connection with its participation in the Customer Complaint Resolution Program and not the overall operation of its residential home repair services business. Contractor's Business will not be operated under a marketing plan or system prescribed in substantial part by UWIN.

9.3 **Contractor's Business Operation**. Contractor acknowledges that it is not relying on UWIN to furnish any advice, guidance, or assistance with respect to the established or continuing operation of its residential home repair services business in the form of marketing assistance or advice or any other business assistance, although UWIN may give Contractor assistance from time to time.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as dated below.

Contractor Name:

By:_____
Name:
Title:

Date: _____

Check One:
_____an Electrical Contractor
_____an HVAC Contractor
_____a Plumbing Contractor

Located at:

UWIN:
UWIN, LLC

By:_____
Name:
Title:

Date: _____

UWIN, LLC
12 Greenway Plaza
Suite 250
Houston, Texas 77046
Attention: Membership Services

# EXHIBIT A

## UWIN OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a license to use the Seal and the execution of the UWIN Agreement for Franchisees, (the "Agreement") by and between UWIN, LLC, a Florida limited liability company ("**UWIN**"), and _____, ("**Contractor**"), the undersigned owner of Contractor ("**Owner**") hereby personally and unconditionally: (1) guaranties to UWIN and its successors and assigns, for the Term and thereafter, including any renewal, as provided in the Agreement, that Contractor will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Agreement (collectively, the "**Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Documents applicable to Owners of Contractor.

The undersigned waives:

(1) acceptance and notice of acceptance by UWIN of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guarantied;

(3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guarantied;

(4) any right the undersigned may have to require that an action be brought against Contractor or any other person as a condition of liability; and

(5) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

(1) the undersigned's direct and immediate liability under this Guaranty will be joint and several with all signatories to this and similar guaranties of Contractor's obligations;

(2) the undersigned agrees to render any payment or performance required under the Agreement upon demand if Contractor fails or refuses punctually to do so;

(3) this Guaranty applies to any claims UWIN may have due to return of any payments or property UWIN may have received from Contractor as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

(4) such liability is not contingent or conditioned upon pursuit by UWIN of any remedies against Contractor or any other person; and

(5) such liability will not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which UWIN may from time to time grant to Contractor 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 continuing and irrevocable during and after the terms of the Documents, as the same may be amended or renewed, until Contractor's duties and obligations to UWIN are fully discharged and satisfied.

All capitalized terms used in this Guaranty and not otherwise defined will have the meanings ascribed to them in the Agreement.

This Guaranty will be governed, construed and interpreted in accordance with the substantive laws of the state where UWIN has its principal place of business at the time the dispute arises, without giving effect to its conflicts of law principles. Owner agrees that (A) any state court of general jurisdiction sitting in the county and state where UWIN has its principal place of business at the time the action is commenced or (B) the United States District Court for the county and state where UWIN has its principal place of business at the time the action is commenced will be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Guaranty, and Owner irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature as dated below.

| WITNESS(ES): | GUARANTOR(S): |
|---|---|
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |
| _____ | _____ |
| Signature | Signature |
| _____ | _____ |
| Print Name | Print Name |
| _____ | _____ |
| Date | Date |

**EXHIBIT N**

**RECEIPTS**

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If One Hour Air Conditioning Franchising, L.L.C. offers you a franchise, One Hour Air Conditioning Franchising, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to One Hour Air Conditioning Franchising, L.L.C. or an affiliate in connection with the proposed franchise sale.

New York requires that One Hour Air Conditioning Franchising, L.L.C. provides you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that One Hour Air Conditioning Franchising, L.L.C. gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If One Hour Air Conditioning Franchising, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise.

Troy Latuff, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 612-369-3382.

_____, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 866-370-8302.

Issued: February 24, 2018.

One Hour Air Conditioning Franchising, L.L.C. authorizes the respective parties identified on Exhibit B to receive service of process for One Hour Air Conditioning Franchising, L.L.C. in the particular state.

I received a Disclosure Document with a Federal Trade Commission issuance date of February 24, 2018. The state effective dates are listed on the State Cover Page of this Disclosure Document. This Disclosure Document included the following exhibits:

A. List of State Administrators
B. Agents for Service of Process
C. Promissory Notes and Guaranties
   C-1. Promissory Note and Guaranty for Franchise Agreement
   C-2. Promissory Note and Guaranty for Area Development Agreement
D. All Hands Confidentiality Agreement
E. List of Franchisees
F. Former Franchisees
G. Financial Statements
H. Franchise Agreement, including Exhibits
   H-1. Incentive Program Amendment (With Incentive Payment)
   H-2. Incentive Program Amendment (Without Incentive Payment)
I. Area Development Agreement, including Exhibits
J. State Addenda/State Franchise Agreement Amendments/State Area Development Amendments
K. Renewal Addendum
L. General Releases
M. UWIN Agreement
N. Receipts

Each individual owner is required to sign and return a copy of this receipt

_____
Date
Signed Receipt can be returned by faxing to
281-783-2203
or mailed to:
OHAC, 12 Greenway Plaza, Suite 250
Houston, Texas 77046

_____
Prospective Franchisee Signature

_____
Print Name

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If One Hour Air Conditioning Franchising, L.L.C. offers you a franchise, One Hour Air Conditioning Franchising, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to One Hour Air Conditioning Franchising, L.L.C. or an affiliate in connection with the proposed franchise sale.

New York requires that One Hour Air Conditioning Franchising, L.L.C. provides you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that One Hour Air Conditioning Franchising, L.L.C. gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If One Hour Air Conditioning Franchising, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise.

Troy Latuff, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 612-369-3382.

_____, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 866-370-8302.

Issued: February 24, 2018.

One Hour Air Conditioning Franchising, L.L.C. authorizes the respective parties identified on Exhibit B to receive service of process for One Hour Air Conditioning Franchising, L.L.C. in the particular state.

I received a Disclosure Document with a Federal Trade Commission issuance date of February 24, 2018. The state effective dates are listed on the State Cover Page of this Disclosure Document. This Disclosure Document included the following exhibits:

A. List of State Administrators
B. Agents for Service of Process
C. Promissory Notes and Guaranties
D. All Hands Confidentiality Agreement
E. List of Franchisees
F. Former Franchisees
G. Financial Statements
H. Franchise Agreement, including Exhibits
   H-1 Incentive Program Amendment
   H-2 Incentive Program Amendment (Without Incentive Payment)
I. Area Development Agreement, including Exhibits
J. State Addenda/State Franchise Agreement Amendments/State Area Development Agreement Amendments
K. Renewal Addendum
L. General Releases
M. UWIN Agreement
N. Receipts

Authorized officer is required to sign and return a copy of this receipt

Date_____

Signed Receipt can be returned by faxing to
281-783-2203
or mailed to:
OHAC, 12 Greenway Plaza, Suite 250,
Houston, Texas 77046

Legal Entity _____
Address _____
City, State, Zip _____

Telephone _____
Print Name_____
Title_____

_____
Legal Entity Officer Signature

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If One Hour Air Conditioning Franchising, L.L.C. offers you a franchise, One Hour Air Conditioning Franchising, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to One Hour Air Conditioning Franchising, L.L.C. or an affiliate in connection with the proposed franchise sale.

New York requires that One Hour Air Conditioning Franchising, L.L.C. provides you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that One Hour Air Conditioning Franchising, L.L.C. gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If One Hour Air Conditioning Franchising, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise.

Troy Latuff, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 612-369-3382.

_____, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 866-370-8302.

Issued: February 24, 2018.

One Hour Air Conditioning Franchising, L.L.C. authorizes the respective parties identified on Exhibit B to receive service of process for One Hour Air Conditioning Franchising, L.L.C. in the particular state.

I received a Disclosure Document with a Federal Trade Commission issuance date of February 24, 2018. The state effective dates are listed on the State Cover Page of this Disclosure Document. This Disclosure Document included the following exhibits:

A. List of State Administrators
B. Agents for Service of Process
C. Promissory Notes and Guaranties
D. All Hands Confidentiality Agreement
E. List of Franchisees
F. Former Franchisees
G. Financial Statements
H. Franchise Agreement, including Exhibits
   H-1 Incentive Program Amendment (With Incentive Payment)
   H-2 Incentive Program Amendment (Without Incentive Payment)
I. Area Development Agreement, including Exhibits
J. State Addenda/State Franchise Agreement Amendments/State Area Development Agreement Amendments
K. Renewal Addendum
L. General Releases
M. UWIN Agreement
N. Receipts

Each individual owner is required to sign and return a copy of this receipt

_____
Date
Signed Receipt can be returned by faxing to
281-783-2203
or mailed to:
OHAC, 12 Greenway Plaza, Suite 250
Houston, Texas 77046

_____
Prospective Franchisee Signature

_____
Print Name

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If One Hour Air Conditioning Franchising, L.L.C. offers you a franchise, One Hour Air Conditioning Franchising, L.L.C. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to One Hour Air Conditioning Franchising, L.L.C. or an affiliate in connection with the proposed franchise sale.

New York requires that One Hour Air Conditioning Franchising, L.L.C. provides you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that One Hour Air Conditioning Franchising, L.L.C. gives you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If One Hour Air Conditioning Franchising, L.L.C. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise.

Troy Latuff, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 612-369-3382.

_____, One Hour Air Conditioning Franchising, L.L.C., 12 Greenway Plaza, Suite 250, Houston, Texas 77046, 866-370-8302.

Issued: February 24, 2018.

One Hour Air Conditioning Franchising, L.L.C. authorizes the respective parties identified on Exhibit B to receive service of process for One Hour Air Conditioning Franchising, L.L.C. in the particular state.

I received a Disclosure Document with a Federal Trade Commission issuance date of February 24, 2018. The state effective dates are listed on the State Cover Page of this Disclosure Document. This Disclosure Document included the following exhibits:

A. List of State Administrators
B. Agents for Service of Process
C. Promissory Notes and Guaranties
   C-1. Promissory Note and Guaranty for Franchise Agreement
   C-2. Promissory Note and Guaranty for Area Development Agreement
D. All Hands Confidentiality Agreement
E. List of Franchisees
F. Former Franchisees
G. Financial Statements
H. Franchise Agreement, including Exhibits
   H-1. Incentive Program Amendment (With Incentive Payment)
   H-2. Incentive Program Amendment (Without Incentive Payment)
I. Area Development Agreement, including Exhibits
J. State Addenda/State Franchise Agreement Amendments/State Area Development Agreement Amendments
K. Renewal Addendum
L. General Releases
M. UWIN Agreement
N. Receipts

Authorized officer is required to sign and return a copy of this receipt

Date_____

Signed Receipt can be returned by faxing to
281-783-2203
or mailed to:
OHAC, 12 Greenway Plaza, Suite 250,
Houston, Texas 77046

Legal Entity _____
Address _____
City, State, Zip _____

Telephone _____
Print Name _____
Title _____

_____
Legal Entity Officer Signature