Sears

# FRANCHISE DISCLOSURE DOCUMENT

**Sears Home & Business Franchises, Inc.**
**a Delaware corporation**
**400 Lazelle Road, Suite 13**
**Columbus, OH 43240**
**(614) 883-6201**
**www.searshandyman.com**
**www.ownasearsfranchise.com**

The franchise offered is to operate a service business that provides quality small residential and small commercial repairs, installation of shelving, interior painting, drywall repair, minor floor repair, fixture installation, minor plumbing and electrical, and home maintenance.

The total investment necessary to begin operation of a Sears Handyman Solutions franchise is $47,900 to $135,300. This includes $35,000 to $70,000 that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payments 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 Steve Cohen, Sears Home & Business Franchises, Inc., 400 Lazelle Road, Suite 13, Columbus, Ohio 43240, (614) 883-6201.

The terms of your contract will govern your franchise relationship. Don't rely on this 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 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.

ISSUANCE DATE: June 8, 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 AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN CHICAGO, ILLINOIS. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN ILLINOIS THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MIGHT WANT TO COMPARE THESE LAWS.

3. IF YOU ARE A BUSINESS ENTITY, YOUR OWNERS WILL HAVE TO GUARANTY YOUR OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF OUR FRANCHISE AGREEMENT. THE SPOUSES OF SUCH OWNERS MAY ALSO HAVE TO CONSENT TO THE GUARANTY, WHICH PLACES THE SPOUSES' MARITAL ASSETS AT RISK.

4. YOU MUST MAKE MINIMUM QUARTERLY ROYALTY PAYMENTS REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

## 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 | Pending |
| Hawaii | Pending |
| Illinois | Exempt |
| Indiana | Exempt |
| Maryland | Pending |
| Michigan | June 8, 2018 |
| Minnesota | Pending |
| New York | Exempt |
| North Dakota | Exemption Pending |
| Rhode Island | Pending |
| South Dakota | June 11, 2018 |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | June 8, 2018 |

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of June 8, 2018.

## THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY MICHIGAN FRANCHISE INVESTMENT LAW ONLY

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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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 provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need to 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 franchise 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 franchise 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:

1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

4) 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 a provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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 FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Attorney General's Office
Consumer Protection Division
Attention: Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree, to fully enforce the arbitration provisions of the Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

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**EXHIBITS**

# ITEM 1

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

### The Franchisor

The franchisor is Sears Home & Business Franchises, Inc., (referred to as "we," "us," and "our" in this Disclosure Document). "You" means the person to whom we award a franchise. If you are a corporation, partnership, limited liability company or similar business entity, your owners must sign the "Owner's and Guarantor's Undertaking," which means that all of the provisions of the franchise agreement attached as Exhibit C to this Disclosure Document (the "Franchise Agreement"), and related documents, also will apply to your owners.

We incorporated in Delaware in July 1992. Our name was Continental Carpet Cleaning, Inc., and we operated and granted licenses for carpet cleaning businesses ("Continental Businesses") from September 1992 until Sears, Roebuck and Co. ("Sears Roebuck") bought all of our stock and assumed substantially all of our liabilities in May 1998. We will neither open nor grant additional licenses for Continental Businesses. We changed our name to Sears Carpet and Upholstery Care, Inc., when we became a subsidiary of Sears Roebuck. On March 8, 2010, we changed our name to Sears Home & Business Franchises, Inc. Our principal business address is 400 Lazelle Road, Suite 13, Columbus, Ohio 43240. Our telephone number is (614) 883-6201. If we have an agent for service of process in your state, we disclose that agent in Exhibit A. We do business under our corporate name and the service mark "Sears®."

### Our Parents, Predecessors and Affiliates

Our parents are Sears Roebuck and Sears Holdings Corporation. On March 24, 2005, Sears Roebuck and Kmart Holding Corporation merged into a major new retail company named Sears Holdings Corporation. Sears Roebuck and Kmart Holding Corporation are now wholly owned subsidiaries of Sears Holdings Corporation and each continues in existence as a corporation under the laws of New York and Delaware, respectively. The principal business address for Sears Roebuck, Sears Holdings Corporation and Kmart Holding Corporation is 3333 Beverly Road, Hoffman Estates, Illinois 60179, and their telephone number is (847) 286-2500. We have no predecessors.

Our affiliate, ServiceLive, Inc., organized in Delaware on September 13, 2007. ServiceLive, Inc., owns and operates ServiceLive.com, a website that allows persons seeking a supplier for various service projects to locate and contract with service provider firms that are members of ServiceLive.com. Currently, you may, but are not obligated to, become a provider firm member of ServiceLive.com and pay our affiliate a fee for each completed project you obtain through ServiceLive.com. ServiceLive, Inc.'s principal business address is 3333 Beverly Road, Hoffman Estates, Illinois 60179 and its telephone number is (847) 286-2500.

Sears Brands, L.L.C. ("Sears Brands"), a subsidiary of Sears Holdings Corporation, was organized in Illinois on November 15, 2002 and shares Sears Holdings Corporation's principal business address. Sears Brands will provide trademark license rights in certain trademarks to us, enabling us to license those trademarks to franchisees.

None of our parents or affiliates described above has conducted the type of business you will operate or offer franchises in any line of business.

**<u>Our Business and the Franchises We Offer</u>**

We offer and grant franchises to operate businesses ("Businesses") that engage in residential and small commercial repairs, installation of shelving, interior painting, drywall repair, minor floor repair, fixture installation, minor plumbing and electrical, and home maintenance (excluding repair of garage doors and home appliances) (the "Services") under the name "Sears" and other trademarks, trade names, logos and commercial symbols we authorize (the "Marks"). The Business will meet the residential repairs and maintenance needs of consumers and small commercial businesses. We call the Business that you will operate under the Franchise Agreement "your Business." A copy of the Franchise Agreement is attached to this Disclosure Document as Exhibit C. We began offering franchises for the Business in July 2014. However, beginning in February 2013, under a pilot program, we granted license rights to three franchisees of our Carpet Businesses and Garage Door Businesses (defined below) to provide handyman services under the Marks. We have operated Businesses since 2014. As of February 3, 2018, 14 franchised Businesses were operating.

We are offering franchises to the general public and other people and companies currently operating similar businesses. If you currently operate a business offering residential handyman services that collected at least $250,000 in sales in your most recent fiscal year (as evidenced by your federal income tax returns), and you meet our qualifications for purchasing a franchise, we may apply a portion of your initial franchise fee toward approved expenses you incur in performing the conversion of your existing business to a Sears Business. You will be required to repair, replace or refurbish all of your equipment and Service Vehicles as necessary to ensure they comply with our current standards and specifications. You will be required to sign the form of Conversion Addendum attached to this Disclosure Document as Exhibit D (the "Conversion Addendum").

Under separate franchise disclosure documents, we currently grant franchises for: (i) the cleaning of carpets, area rugs, upholstered furniture, and tile and grout, providing emergency water extraction, and the sale of certain spotting kits, grooming rakes and related products and services ("Carpet Businesses"); (ii) the cleaning of air ducts, clothes dryer vents and the sale of certain approved indoor air quality products ("Air Duct Businesses"); (iii) the sale, installation and repair of garage doors and garage door openers ("Garage Door Businesses"); and (iv) quality residential and light commercial cleaning ("Maid Services Businesses"). We have offered franchises for Carpet Businesses since 1998, for Air Duct Businesses and Garage Door Businesses since May 2008, and for Maid Services Businesses since January 2014. As of February 3, 2018, we had 119 franchised Carpet Businesses, 115 franchised Air Duct Businesses, 121 franchised Garage Door Businesses, and 9 franchised Maid Services Businesses.

From May 2008 to April 2012, we offered franchises for the installation, repair and refinishing of hardwood floors and related products ("Hardwood Businesses"). From April 2016 to December 2017, we offered franchises for the installation, repairs, and maintenance of appliances and other equipment ("Appliance Repair Businesses"). We are no longer offering these franchises. As of the date of this Disclosure Document, there are no franchised Hardwood Businesses or Appliance Repair Businesses in existence.

Except as described above, neither we nor our affiliates have engaged in any other line of business or offered franchises in any other line of business; however, we may do so in the future.

**Market Competition and Regulations**

We believe the market for the services that your Business provides is well developed. You will compete with other companies who will be local and national handyman companies as well as individuals who provide handyman services on a full- or part-time basis. You will offer your products and services to homeowners, apartment owners, and other residential and commercial (non-residential) customers in your territory.

Although there are no laws or regulations specific to operating a Business, you must comply with all federal, state and local environmental protection, occupational hazards and health laws, as well as other laws that apply generally to all businesses. You should investigate all of these laws. In certain jurisdictions, a license to perform these services may be required.

## ITEM 2

## BUSINESS EXPERIENCE

**Chief Financial Officer, Director of Finance, and Treasurer: Mary Brisentine, CPA**

Mrs. Brisentine has been our Chief Financial Officer and Director of Finance since March 2005 and our Treasurer since April 2016. From March 2004 to March 2005, Mrs. Brisentine was our Senior Financial Manager. From October 2000 to March 2004, Mrs. Brisentine was our Controller, and from October 1999 to October 2000, she was our Assistant Controller.

**Chief Operating Officer, General Manager of Home Services: James J. Gimeson**

Mr. Gimeson has been Chief Operating Officer and General Manager of Home Services for Sears Holdings Corporation in Hoffman Estates, Illinois, since January 2018. From April 2016 to December 2017, Mr. Gimeson was Chief Operating Officer for TruGreen in Memphis, Tennessee. From January 2012 to April 2016, Mr. Gimeson served in various roles for Scotts Lawn Service in Marysville, Ohio, including: President (March 2015 to April 2016); Chief

Operating Officer (January 2014 to March 2015); and Senior Vice President (January 2012 to January 2014).

**Chief Marketing Officer: Jennifer L. Gulling**

Ms. Gulling has been our Chief Marketing Officer since June 2017. From July 2014 to June 2017, she was Vice President, Account Director, for Epsilon, in Columbus, Ohio. From 2009 to July 2014, she was Senior Director of Marketing for ABRH, in Columbus, Ohio.

**Senior Director of Franchise Operations and Vice President: Jeff Pepperney**

Mr. Pepperney has been our Senior Director of Franchise Operations since February 2016. In addition, in June 2018, Mr. Pepperney was appointed a Vice President. From September 2011 to February 2016, he was our Director of Operations and from December 2007 to September 2011, he served as District Service General Manager. From February 2005 to December 2007, he served as Director, Loss Prevention and Safety.

**Director of Contract Administration and Compliance: Steven Cohen**

Mr. Cohen has been our Director of Contract Administration and Compliance since July 2017. From November 2016 to July 2017, Mr. Cohen was our Division Operating Manager, and from October 2011 to November 2016, he served as our Director of Operations.

**Director: Luke Valentino**

Mr. Valentino has been a Director for us since April 2018. Since April 2018, Mr. Valentino has been Divisional Vice President, Deputy General Counsel, and Corporate Secretary for Sears Holdings Corporation in Hoffman Estates, Illinois. From July 2017 to April 2018, Mr. Valentino was Associate General Counsel for Sears Holdings Corporation in Hoffman Estates, Illinois. From October 2016 to July 2017, Mr. Valentino served as Knowledge Management Attorney for Mayer Brown LLP in Chicago, Illinois. From January 2012 to October 2016, Mr. Valentino was a Partner with Sidley Austin LLP in Chicago, Illinois.

**Director: Lawrence J. Meerschaert**

Mr. Meerschaert has been a Director for us since February 2018. Since May 2012, Mr. Meerschaert has been Vice President, Tax, for Sears Holdings Corporation in Hoffman Estates, Illinois.

**Director: Robert A. Riecker**

Mr. Riecker has been a Director for us since February 2018. Since October 2005, Mr. Riecker has held several positions with Sears Holdings Corporation in Hoffman Estates, Illinois, including: Chief Financial Officer since April 2017; Controller and Head of Capital Market Activities from October 2016 to April 2017; Vice President, Controller, and Chief Administrative Officer from January 2012 to October 2016; Vice President, Internal Audit from October 2011 to January 2012; Vice President and Assistant Controller from May 2007 to October 2011; and Assistant Controller from October 2005 to May 2007.

## ITEM 3

## LITIGATION

*Sears Home & Business Franchises, Inc. v. Arizona Garage Doors & Repair, Inc. and Daniel Cappello*, Case No. 1:17-cv-05239, United States District Court for the Northern District of Illinois. On July 14, 2017, we filed a complaint for injunctive relief against recently-terminated franchisee Arizona Garage Doors & Repair, Inc., and its personal guarantor, Daniel Cappello (collectively, the "Cappello Parties"). The complaint asserted claims for violations of the Lanham Act, violations of federal and state trade secrets acts, and breach of contract claims arising out of the Cappello Parties' continued operation of the franchised business despite termination of the applicable franchise agreements. The Company sought a preliminary injunction that enjoined the Cappello Parties' continued use of the Company's trademarks, trade names, trade dress, and trade secrets as well as ordered the Cappello Parties to comply with their post-termination obligations under the franchise agreements, including the noncompetition covenant. Shortly after the complaint was filed, the Cappello Parties voluntarily de-identified their business. On August 9, 2017, the Cappello Parties filed counterclaims seeking a declaratory judgment that the scope of activities that they were engaged in were outside of the scope of the noncompetition clause and that, in any event, the noncompetition restrictions were not reasonable or enforceable under applicable law. On December 13, 2017, the parties agreed to voluntarily dismiss all remaining claims and counterclaims without prejudice. Contemporaneously with the filing of the federal action described above, the Company initiated an arbitration demand against the Cappello Parties titled *Sears Home & Business Franchises, Inc. v. Arizona Garage Doors & Repair, Inc. and Daniel Cappello*, Case No. 01-17-0004-1397 (American Arbitration Association, Chicago, Illinois). The demand alleged claims against the Cappello Parties for breach of contract, fraud, and violations of the Lanham Act. The demand sought compensatory and punitive damages in excess of $3 million, costs and expenses, including attorneys' fees, and permanent injunctive relief consistent with the injunctive relief sought in the federal matter. On January 26, 2018, the Cappello Parties filed for bankruptcy in the matter titled *In re Daniel Robert Cappello and Michelle Ann Cappello*, United States Bankruptcy Court for the District of Arizona, Case No. 2:18-bk-00782. The arbitration is stayed pending bankruptcy.

*A&P Ventures, LLC v. Sears Home & Business Franchises, Inc.*, Case No. 01-17-0004-9213, American Arbitration Association, Chicago, Illinois. On August 17, 2017, Indianapolis-based franchisee A&P Ventures, LLC ("A&P"), filed an arbitration demand alleging that we breached the parties' franchise agreement by allegedly publishing incorrect contact information for A&P's office. The demand claimed that our alleged publication of a disconnected number for A&P's office prevented customers from contacting A&P. The demand sought lost profits and consequential damages in the amount of $161,625 and expenses and costs, including attorneys' fees. Effective December 15, 2017, the parties entered into a settlement agreement, under which A&P agreed to renew its franchise agreement and we agreed to provide A&P with a $25,000 credit to be allocated toward past due amounts owed under the franchise agreement, A&P's franchise renewal fee, and future royalty and advertising fees owed under the franchise agreement. The parties also exchanged general releases. The arbitration was dismissed with prejudice on January 11, 2018.

Except as disclosed above, no 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

Franchise Fee. You must pay us an initial franchise fee equal to $20,000 plus the product of 50¢ multiplied by the number of Qualified Households in your Territory. A "Qualified Household" is one that has an annual household income of $75,000 or higher as identified by a data compilation and demographic service of our choosing. (We currently use the most recent statistics that National Decisions Systems, Inc., compiles, which currently uses the 2010 United States census as a base, but we may change this data provider.) Your Territory will most likely include between 30,000 and 100,000 Qualified Households, making your initial franchise fee between $35,000 and $70,000. You will pay us the initial franchise fee in a lump sum when you sign the Franchise Agreement. Other than in connection with the signing of a Conversion Addendum, the initial franchise fee is not refundable under any circumstances.

Conversion Program. If you currently operate a business offering residential handyman services that collected at least $250,000 in sales in your most recent fiscal year (as evidenced by your federal income tax returns), and you meet our qualifications for purchasing a franchise, we may apply a portion of your initial franchise fee toward approved expenses you incur in performing the conversion of your existing business to a Sears Business. We estimate that we will apply anywhere from $0 to $10,000 toward these expenses. The amount will depend on factors such as the amount required to cancel advertisements for which you have already paid, to replace your marketing materials, to rewrap your Service Vehicles, and to install new signage.

VetFran Discount. We participate in the International Franchise Association's VetFran Program. If you are an honorably discharged veteran who meets our qualifications for purchasing a franchise, we will discount the initial franchise fee by $2,000.

MinorityFran Discount. We participate in the International Franchise Association's MinorityFran Program. If you are a minority (as defined by the International Franchise Association's MinorityFran program materials) who meets our qualifications for purchasing a franchise, we will discount the initial franchise fee by $2,000. The MinorityFran and VetFran discounts cannot be combined.

## ITEM 6

## OTHER FEES

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty | 6% of Gross Revenue (subject to Minimum Quarterly Royalty) | Daily | See Notes 2 and 3. |
| Software Support Fee | Up to $500 (currently $200) per month for one office plus $50 a month for each additional office | Due on the 10th day of the month | We support and provide upgrades and updates for certain software |
| National Marketing Fund Contribution | 2% of Gross Revenue | Daily | Due with Royalties. Amount will be announced by us. |
| ServiceLive Transaction Fee | Currently 10% of the total amount charged to customers for projects obtained through ServiceLive.com. This amount may change in the future. | As incurred | If you elect to become a provider firm member of ServiceLive.com, you will pay our affiliate ServiceLive, Inc. a percentage of all amounts you charge to customers obtained through the ServiceLive.com website. |
| Advertising Cooperative Payments | Will vary with the circumstances (Note 4) | As incurred | If advertising suppliers send us the invoice for your Advertising Cooperative's programs, you must pay us your Business's proportionate share |
| Customer Adjustments | Will vary with the circumstances | As incurred | We may adjust all customer complaints against your Business at your expense |
| Replacement Business Manual | Currently $1,000 | As incurred | Due if your copy is lost, damaged or destroyed |
| Additional On-Site Assistance | Approximately $500 per day, per person plus expenses | As incurred | Due if you request and we provide additional guidance or assistance beyond normal support at your Business location |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Fee for Supplemental or Refresher Training | Currently $50 to $100 per person, per day | As incurred | Due if we require supplemental or refresher training programs |
| Fee for Failing to Provide Materials | $500 per day, plus expenses incurred because of delay | As incurred | Due if you fail to timely provide books, records or other materials we request in an audit or inspection |
| Audit Expenses | Cost of inspection or audit | As incurred | If you fail to timely produce reports or other information, or understate Gross Revenue by more than 2% and cannot show it was inadvertent error, you must pay for the audit |
| Interest on Late Payments | Highest applicable legal rate for open account business credit in your state or 1.5% per month, whichever is less | As incurred | Due on all overdue amounts once we request payment in writing |
| Renewal Franchise Fee | $5,000 | On signing renewal Franchise Agreement | This amount is in addition to any amounts you owe us or our affiliates at the expiration of the initial term of the Franchise Agreement |
| Transfer or sale of part of an existing Franchise Territory | $10,000 | Before transfer | Payable unless transfer is among your owners or your (or your owners') immediate family, in which case you pay only our costs |
| Indemnification | Will vary with the circumstances | As incurred | You must reimburse us if we are held liable for claims arising from your Business's operation or breach of the Franchise Agreement |
| Costs and Attorneys' Fees | Will vary with the circumstances | As incurred | Due if you fail to comply with the Franchise Agreement |
| Webpage Fee | Currently $0 | Monthly | We may charge a fee if we give you a webpage on our system website |

| Type of Fee[1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Termination Fee | An amount equal to the net present value of the Royalty fees, National Marketing Fund contributions, and Advertising Cooperative contributions that would have become due following termination of the Franchise Agreement for the lesser of the period the Franchise Agreement would have remained in effect but for your default or 2 years | Upon termination of the Franchise Agreement | See Note 5. |

NOTES:

1. Except as described in this Item, all fees are imposed and collected by, and payable to us. Fees are not refundable and, except as described in this Item, are applied uniformly to all franchisees.

2. "Gross Revenue" means all revenue derived from operating your Business, whether from cash, check, credit or debit card, trade credit or other credit transactions less all federal, state or municipal sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authorities, and customer returns, allowances and credit adjustments.

3. By entering into a Franchise Agreement, you agree to generate a minimum amount of Royalties during each fiscal quarter during the term of the Franchise Agreement (the "Minimum Quarterly Royalty") in the following amounts:

| Year of Operation | Amount to Be Generated Each Fiscal Quarter |
|---|---|
| First year after you sign the Franchise Agreement | $3,000 |
| Second year after you sign the Franchise Agreement | $4,500 |
| Third year after you sign the Franchise Agreement | $6,000 |

| Year of Operation | Amount to Be Generated Each Fiscal Quarter |
|---|---|
| Fourth year after you sign the Franchise Agreement through the end of the term of the Franchise Agreement | $7,500 |

If you fail to generate the required Minimum Quarterly Royalty during a given fiscal quarter, then you must pay us the difference between the amount of Royalties you actually paid us during the applicable fiscal quarter and the Minimum Quarterly Royalty (the "Shortfall Amount") within 30 days after the end of the applicable fiscal quarter.

Gross Revenue generated from credit card, debit card or other credit transactions (a "Credit Product") through the Computer System (defined in Item 11) (the "Gross Credit Card Revenue") will be remitted directly to us and not to you. We will remit Gross Credit Card Revenue to you after offsetting the amount of any Royalty, National Marketing Fund contributions or other amounts owed by you to us, including any Shortfall Amount ("Amounts Owed"). Specifically, each calendar day (or such other date as we may specify periodically) (a "Settlement Date"), we will deduct from the previous calendar day's (or such other period as we may specify periodically) (the "Reporting Period") Gross Credit Card Revenue the required Amounts Owed, if any, for such Reporting Period. If the Gross Credit Card Revenue for the preceding Reporting Period exceeds the Amounts Owed for such Reporting Period, then we will remit the difference to you by electronic funds transfer to the bank account you designate. If, however, on a Settlement Date, the Amounts Owed for the preceding Reporting Period exceeds the Gross Credit Card Revenue for such Reporting Period, then the amount of any such deficit will be added to the Amounts Owed to us for the next Reporting Period. Further, on the last Settlement Date of each month, if the Amounts Owed for the preceding Reporting Period exceeds the Gross Credit Card Revenue for such Reporting Period, then we will, within 10 days, at your option, either (i) charge the deficit amount to the business credit card you designate by signing a "Credit Card Authorization Form" attached as Exhibit 2B to the Franchise Agreement or (ii) deduct the deficit amount by electronic funds transfer from the bank account you designate by signing an "Electronic Debit Authorization Form" attached as Exhibit 2A to the Franchise Agreement. Further, for purposes of determining Amounts Owed as of a Settlement Date, we will also include amounts you owe us for Software Support Fees, outstanding invoices and other sources for the preceding Reporting Period, and make other appropriate adjustments (like chargebacks, customer returns, customer allowances, credit adjustments and charges for invalid credit transactions generated from Credit Products) that accrued during the preceding Reporting Period.

4. We may organize and require your participation in a local or regional advertising cooperative ("Advertising Cooperative"). The Advertising Cooperative's members (which might include us for Businesses that we or our affiliates operate) will each contribute the same proportionate share (meaning per item or per recipient) for the advertising, marketing and promotional programs that a majority of the members agree to run. There is no limit on the amount that the Advertising Cooperative, by majority vote, may require its members to pay for these advertising, marketing and promotional programs. The suppliers of advertising

will either bill the Advertising Cooperative's members or, at our option, bill us, in which event you must pay us your Business's proportionate share of the costs.

5. You will be required to pay us this fee if we terminate the Franchise Agreement based on your default or you terminate without cause. Royalty fees, National Marketing Fund contributions, and Advertising Cooperative contributions will be calculated by multiplying (1) the lesser of the number of calendar months remaining under the term of the Franchise Agreement or 24 months by (2) the aggregate of the Royalty fees, National Marketing Fund contributions, and Advertising Cooperative contributions payment percentages by (3) the average monthly Gross Revenue of your Business during the 12 full calendar months immediately preceding the termination date. If you have not operated your Business for at least 12 months preceding the termination date, Royalty fees, National Marketing Fund contributions, and Advertising Cooperative contributions will be calculated based on the average monthly Gross Revenue of all Businesses during our last fiscal year.

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure(1) | Estimated Amount or Estimated Low-High Range | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|
| Initial Franchise Fee(2) | $35,000 to $70,000 | Lump sum | When you sign the Franchise Agreement | Us |
| Vehicle(s) and Accessories(3) | $900 to $1,800 | Lump sum or installments -As agreed | As incurred | 3rd party |
| Repair Equipment & Supplies(4) | $2,000 to $4,500 | As agreed | As incurred | 3rd party |
| Inventory(5) | $1,000 to $2,500 | As agreed | Start of business unless it is financed | 3rd party |
| Insurance(6) | $1,000 to $3,000 | As agreed | As incurred | 3rd party |
| Opening Advertising & Sign(7) | $2,000 to $10,000 | As agreed | As incurred | 3rd party |

| | | | | |
|---|---|---|---|---|
| Training, Travel, Lodging & Food(8) | $1,000 to $5,500 | As agreed | As incurred | 3rd party |
| Deposits, Permits, Licenses(9) | $0 to $3,000 | As agreed | As incurred | 3rd party |
| Professional Fee(10) | $0 to $5,000 | As agreed | As incurred | 3rd party |
| Real Estate(11) | $0 to $10,000 | As agreed | As incurred | 3rd party |
| Additional Funds – 3 months(12) | $5,000 to $20,000 | As agreed | As incurred | 3rd party |
| **Total Estimated Initial Investment(13)** | $47,900 to $135,300 | | | |

NOTES:

1. Except as otherwise described in the notes below, none of the fees in this Item 7 that are payable to us are refundable under any circumstances. Other fees that you pay third parties may be refundable under the terms of your contracts with those parties.

2. **<u>The initial franchise fee.</u>** We describe the initial franchise fee in Item 5. As described in Item 5, if you meet the program qualifications, we offer discounts for franchisees under the VetFran Program and MinorityFran Program.

   Under the Conversion Program, if you currently operate a business offering residential handyman services that collected at least $250,000 in sales in your most recent fiscal year (as evidenced by your federal income tax returns), and you meet our qualifications for purchasing a franchise, we may apply a portion of your initial franchise fee toward approved expenses you incur in performing the conversion of your existing business to a Sears Business. We estimate that we will apply anywhere from $0 to $10,000 toward these expenses. The amount will depend on factors such as the amount required to cancel advertisements for which you have already paid, to replace your marketing materials, to rewrap your Service Vehicles, and to install new signage. Other than in connection with the Conversion Program, the initial franchise fee is not refundable under any circumstances.

3. **<u>Service Vehicle(s) and Accessories</u>**. You will be required to buy or lease 1 or more service vehicles ("Service Vehicles") and accessories according to our capacity requirements. The type, amount and age of the Service Vehicles, as well as the amount of work required to conform them to our standards and specifications, will determine their purchase price. If you wish and a lessor approves, you may lease the Service Vehicle(s). If you already own the required number of Service Vehicles which are in good repair, you need only pay the amount (if any) required to conform them to our

standards and specifications. The figures shown in the table reflect the estimated cost of leasing 1 to 5 Service Vehicle for 3 months. If you elect to purchase, rather than lease, the Service Vehicles, we estimate the cost to be between $16,000 to $20,000 per Service Vehicle.

4. **<u>Equipment & Supplies</u>**. Whether you operate from an office in your home or an outside office, you must buy or lease office furniture, office supplies, the Computer System, telephones (with dedicated lines), a facsimile machine (with dedicated line), office to vehicle communication devices (if appropriate) and similar items for your Business. If your Business has a larger Territory, you will need more of these items and your spending will approach the high end of the range. If you already own some or all of these items, you need only pay the amount (if any) required to conform them to our standards and specifications. This figure represents your costs for an initial supply of equipment, power tools, uniforms, stationery and point of service materials.

5. **<u>Inventory</u>**. If you already own an existing business similar to the franchise, you may own much of the inventory required to begin the operation of your franchise. The low estimate is based on an assumption that you already own an existing business similar to the franchise.

6. **<u>Insurance</u>**. You must purchase the insurance coverage described in Item 8. Insurance costs will vary depending on the number of Service Vehicles, your driving record, the insurer you choose, your location and other factors. You may also incur expenses for worker's compensation and unemployment insurance depending on your locality. Your business and its employees must be licensed, insured and bonded. The estimated annual premiums for all of this insurance may range from $1,000 to $3,000.

7. **<u>Opening Advertising and Sign.</u>** The amount reflects an estimate for additional marketing dollars to start your Business. Costs may vary depending on media and/or frequency. The high end of the range includes the cost of a sign, which you must buy or lease if you rent office space.

8. **<u>Training, Travel, Lodging & Food</u>**. You should allow at least the minimum amount stated for travel, lodging, food and other miscellaneous living expenses incurred during initial training. Your actual costs will vary depending on the distance to be traveled, your method of travel, your lodging and your personal circumstances. The low estimate assumes we will train up to 3 people.

9. **<u>Deposits, Permits, Licenses.</u>** We require you to have the permits and licenses required in your locality before you begin the operation of your franchised business. You are responsible for obtaining any permits and business licenses required in your locality. You should consult an attorney and/or your local city, county, and state authorities about the specific legal requirements for payment of sales tax and business licenses and related expenses.

10. **Professional Fees**. These are estimates for fees that may be charged by your attorney to review the franchise agreement and other documents. This estimate also includes additional fees that could be charged by an accountant and/or financial advisor. These amounts are estimates only and your actual fees may vary significantly depending on the specific work you request, the advisors you select and the market rates for the professional services you require.

11. **Real Estate.** We anticipate that you will rent office space at a freestanding unit or in a strip mall or office complex and that your office will range from 200 to 4,000 square feet. If you choose and we approve, you may operate your Business from an office in your home, in which case your real estate costs would be $0. Rent payments depend on the size, condition and location of the office and the demand for the premises among prospective lessees. This figure does not include other payments, which might apply under your lease, including real estate taxes, insurance requirements, common area maintenance charges and other charges. We assume that you will not spend any money for construction, remodeling, leasehold improvements, decorating costs or fixtures. The figures shown are for 3 months of rent payment.

12. **Additional Funds – 3 months.** This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Business's first 3 months of operation, including miscellaneous supplies and equipment, inventory, payroll costs (but not any draw or salary for you) and other miscellaneous costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Business. Your costs depend on how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate (including any minimum wage rate in your jurisdiction that exceeds the federal minimum wage); competition; and the sales level reached during the initial period.

13. **Total Estimated Initial Investment**. This amount reflects our current estimate of your initial investment for a Business. The amounts shown are our best estimate of the amount you will spend for the purposes indicated. However, your actual cost might be higher or lower depending on your particular circumstances, including your decision to use your residence as an office or lease business premises, whether you hire employees, discretionary expenditures and other factors.

We relied on our experience in developing and operating the Carpet Businesses (since 1998), Air Duct Businesses (since 2008), Garage Door Businesses (since 2008), Maid Services Businesses (since January 2014) and Businesses (since July 2014) to compile these estimates. However, your costs and expenses might vary from our experience due to local market conditions. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment (although our preferred lessor may provide equipment lease financing for your Service Vehicle(s)). The availability and terms of financing depends on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Standards and Specifications**

You must operate your Business according to our standards, specifications and operating procedures which may regulate, among other things, the types, models, brands, condition and appearance of required equipment (including the Service Vehicle(s) and Computer System), and related supplies, products for sale to customers, and other products, materials and supplies needed to operate your Business; required or authorized services that your Business provides; the condition and appearance of your Business's office or location; service, safety and quality standards and procedures, and our "Satisfaction Guaranteed" customer satisfaction policy; our Customer Satisfaction Survey program; and designated and approved suppliers of certain items and services (which might include us). To maintain the quality of the goods and services that Businesses sell and our system's reputation, you should expect to buy or lease equipment and all other products and services for your Business only if they meet our minimum standards and specifications and, in some cases, only from suppliers that we designate or approve. We formulate and modify standards and specifications based on our and our franchisees' experience in operating Businesses. Our standards and specifications may impose minimum requirements for performance, reputation, quality and appearance. Our Business Manual ("Business Manual") or other communications will identify our standards and specifications and/or names of designated or approved suppliers, and we will issue modifications to specifications through the Business Manual. You must not use any equipment relating to your Business (including the Service Vehicles and accessories) for any other purpose without our written consent.

**Designated and Approved Suppliers**

Currently, you must purchase supplies from suppliers that may be approved by us and a service contract for certain computer software from the supplier we designate. Except for these items, there currently are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate that you must purchase from us or from designated or approved suppliers. However, during the term of the Franchise Agreement we may require you to purchase other items or services only from suppliers that we designate or approve (which might include us or our affiliates). Upon our request, or if you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved (for those items or services that require supplier approval), you first must send us sufficient information, specifications and samples so we can determine whether the item or service complies with our standards and specifications or the supplier meets our approved supplier criteria. We may charge the supplier a reasonable fee (which will not exceed our actual costs) for the evaluation and will decide within a reasonable time after receiving the information we require (no more than 90 days). Supplier approval might depend on product quality, delivery frequency, service standards, financial capability, customer relations, prompt attention to complaints and concentration of purchases with limited suppliers to obtain better prices and service. Approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to ensure the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and/or you in writing. If we revoke our approval of an item, you must comply promptly with our directions by disposing of the items in a commercially reasonable manner (including, if doing so will not adversely affect the image, reputation or goodwill of Businesses or the Marks, by selling the items through your Business). Currently, we do not issue to you our criteria for approving suppliers.

Collectively, the purchases and leases described above should represent approximately 60% to 70% of your total purchases and leases in establishing your Business, and 90% to 95% of your total purchases and leases in operating your Business.

**Insurance**

You must, at your own expense, obtain and maintain the following insurance:

Commercial General Liability, with coverage including, but not limited to, premises/operations, contractual, personal and advertising injury, and products/completed operations liabilities, with limits of at least $1,000,000 per occurrence for bodily injury and property damage combined. The policy shall be endorsed to state that coverage is primary, and non-contributory with other available coverage. Limits of liability requirements may be satisfied by a combination of Commercial General Liability and Umbrella Excess Liability policies.

Automobile Liability insurance for owned, non-owned and hired vehicles, with limits of at least $1,000,000 per occurrence for bodily injury and property damage combined. If no vehicles are owned or leased, the Commercial General Liability insurance shall be extended to provide insurance for non-owned and hired automobiles in lieu of separate Automobile Liability insurance. Limits of liability requirements may be satisfied by a combination of Automobile Liability and Umbrella Excess Liability policies.

Workers' Compensation insurance, including coverage for all costs, benefits, and liabilities under Workers' Compensation and similar laws which may accrue in favor of any person employed by you, for all states in which you will perform services, and Employer's Liability insurance with limits of liability of at least $100,000 per accident or disease and $500,000 aggregate by disease. Such insurance shall contain an Alternate Employer Endorsement naming us as the alternate employer. You may self-insure Workers' Compensation only in states where the governing state bureau has issued to you a qualified self-insurance license for Workers' Compensation.

In addition, if required, your Business and its employees must be appropriately licensed, insured and bonded.

Insurance must be purchased from companies having a rating of A- VII or better in the current *Best's Insurance Reports* published by A.M. Best Company (or a comparable report published by a similar insurance rating company). Premiums depend on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us (and, at our option, our affiliates) as additional insured parties and require 30 days' prior written notice to us of termination, cancellation or expiration. The additional insured coverage must be provided on an Additional Insured Grantor of Franchise Endorsement form CG2029 (or an endorsement form with comparable wording acceptable to us). We may require different or additional insurance at any time and, upon 60 days' prior written notice to you, increase the minimum coverages required upon a policy's renewal to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, product or motor vehicle liability litigation or other relevant changes in circumstances. You must give us a certificate or other evidence of insurance and premium payment each year.

**Advertising**

Before you use them, you must send us for approval samples of all advertising, promotional and marketing materials which we have not prepared or previously approved (including any website information). We ordinarily will approve or disapprove the materials within 30 days after receiving all information we require. You may not use any advertising, promotional or marketing materials that we have not approved.

**Purchase Arrangements, Material Benefits and Revenue**

There currently are no purchasing or distribution cooperatives. We have negotiated and intend to continue negotiating purchase arrangements with suppliers (including price terms) for franchisees. We do not provide material benefits to franchisees for using designated or approved sources. In the fiscal year ending February 3, 2018, we did not derive revenue from the required purchases and leases of franchisees. However, in the future, we might receive payments from franchisees for advertising, marketing and promotional materials and programs (as described above) and contributions from the franchise system's suppliers for our national convention or similar programs. We also may establish purchasing programs ("Purchasing Programs") with certain vendors for supplies, equipment, vehicles and other materials required by the franchise owners to operate their business. A mark-up would be added to these items to cover our operating and administrative expenses related to the handling of these items. These Purchasing Programs will be implemented only when the final cost to the franchise owner is less than what they would pay if they purchased these items on an individual basis. Participation in these Purchasing Programs will be optional for the franchise owners.

In the fiscal year ending February 3, 2018, ServiceLive, Inc. received $123,836.12 from our franchisees operating Businesses, Garage Businesses, Air Duct Businesses, and Carpet Businesses. Except as described above, neither we nor our affiliates derive revenue or other consideration from required purchases or leases by franchisees.

None of our officers own any interest in any approved supplier.

## 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 | Sections 1.B and 1.C of Franchise Agreement | Items 7 and 11 |
| (b) | Pre-opening purchases/leases | Section 8 of Franchise Agreement | Items 7 and 8 |
| (c) | Site development and other pre-opening requirements | Section 1.C of Franchise Agreement; Section 2 of Conversion Addendum | Item 11 |
| (d) | Initial and ongoing training | Section 2 of Franchise Agreement | Items 5, 6 and 11 |
| (e) | Opening | Section 1.B of Franchise Agreement; Section 2 of | Item 11 |
| (f) | Fees | Sections 2, 6, 7, 9, 12, 13.C(5), 14.A, 17.E and Exhibit 1 of Franchise Agreement; Section 4 of Conversion Addendum | Items 5, 6, 7 and 11 |
| (g) | Compliance with standards and policies/Business Manual | Sections 2.C and 8 of Franchise Agreement | Items 8, 11 and 16 |
| (h) | Trademarks and proprietary information | Sections 1, 2.C, 3 and 4 of Franchise Agreement | Items 11, 13 and 14 |
| (i) | Restrictions on products/services offered | Sections 1.C and 8.A of Franchise Agreement | Items 8, 11, 12 and 16 |
| (j) | Warranty and customer service requirements | Section 8.E of Franchise Agreement | Items 8 and 16 |
| (k) | Territorial development and sales quotas | Section 1 of Franchise Agreement | Item 12 |
| (l) | On-going product/service purchases | Section 8 of Franchise Agreement | Items 6, 8 and 11 |
| (m) | Maintenance, appearance and remodeling requirements | Section 8 of Franchise Agreement; Section 2 of Conversion Addendum | Items 7 and 11 |
| (n) | Insurance | Section 8.H of Franchise Agreement | Item 8 |
| (o) | Advertising | Sections 9 and 10 of Franchise Agreement | Items 6, 7, 8 and 11 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| (p) Indemnification | Section 6 of Franchise Agreement | Item 6 |
| (q) Owner's participation/management and staffing | Sections 1.B and 2.A of Franchise Agreement | Items 11 and 15 |
| (r) Records and reports | Section 11 of Franchise Agreement | Item 6 |
| (s) Inspections and audits | Section 12 of Franchise Agreement | Item 6 |
| (t) Transfer | Section 13 of Franchise Agreement | Item 17 |
| (u) Renewal | Section 14 of Franchise Agreement | Item 17 |
| (v) Post-termination obligations | Section 16 of Franchise Agreement | Item 17 |
| (w) Non-competition covenants | Section 5 of Franchise Agreement | Item 17 |
| (x) Dispute resolution | Section 17 of Franchise Agreement | Item 17 |

## ITEM 10

## FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

## ITEM 11

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

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

### Assistance To Begin Operation of Your Business

Before you open your Business, we will:

1. Designate your territory in which your office must be located as further described in this Item 11 (Section 1 of Franchise Agreement)

2. Give you written specification for the products and services which you will require and for which we require specifications, including approved suppliers and advice with respect to the specifications (Section 8 of Franchise Agreement)

3. Loan you a copy of the Business Manual (Section 2.C of Franchise Agreement). The Table of Contents of our manuals as of the issuance date of this Disclosure Documents is attached to this Disclosure Document as Exhibit G. The Business Manual currently totals 114 pages. We may modify our Business Manual.

4. Train you in the operation of the Business (Section 2 of Franchise Agreement). You must attend and satisfactorily complete (in our sole determination) the initial training program ("Initial Training Program"), which is described below.

5. Provide you with a variety of insight on establishing your Business (in addition to the Training Program, described in Item 11) including among other things (a) access to marketing updates, (b) Operations Representatives support prior to training, and (c) a copy of the Business Manual (Section 2 of the Franchise Agreement).

6. If you sign the Conversion Addendum, apply a portion of your initial franchise fee toward expenses you incur in converting your existing business to a Sears Business (Section 4 of the Conversion Addendum).

**<u>Assistance During the Operation of Your Business</u>**

During your operation of your Business, we will:

1. Advise you regarding your Business operation based on your reports or our inspections. We also will guide you on standards, specifications, operating procedures and methods that Businesses use; purchasing required equipment, products, materials, and supplies; advertising and marketing programs; employee training; and administrative, bookkeeping, and accounting procedures. We will guide you in our Business Manual, bulletins or other written or electronic materials, during telephone consultations, and/or during consultations at your office or your Business. (Franchise Agreement – Section 2.B)

2. Provide you, at your request but based on our staff availability, with additional or special on-site guidance, assistance, and training. (Franchise Agreement – Section 2.B)

3. Loan you one copy of the Business Manual, containing mandatory specifications, standards and operating procedures periodically prescribed by us for the operation of a Business, and other suggested operating procedures. We may modify the Business Manual periodically to reflect changes in authorized products, services and equipment, standards of product and service quality and performance, and your Business's operation, but no modification to the Business Manual will alter your

fundamental status and rights under the Franchise Agreement. You must keep your copy of the Business Manual current by inserting all modified pages we furnish. If a dispute arises over the Business Manual's contents, the master copy we maintain at our principal office controls. You may not copy any part of the Business Manual. If any part of the Business Manual is lost, damaged or destroyed, you must replace it at our then applicable charge. (Franchise Agreement – Section 2.C)

4. Share our Confidential Information (defined in Item 14) subject to the Franchise Agreement. (Franchise Agreement – Section 4)

5. Let you use the Marks. (Franchise Agreement – Section 3)

6. Maintain and administer a national marketing and promotional fund ("National Marketing Fund"). (Franchise Agreement – Section 9.A) We describe the National Marketing Fund below.

**Advertising Requirements**

**National Marketing and Promotional Fund**

In order to maintain a National Marketing Fund, you (and all franchisees) must contribute 2% of your Gross Revenue daily to the National Marketing Fund. Businesses that we or our affiliates own must contribute to the National Marketing Fund on the same basis as franchisees.

We will direct all programs that the National Marketing Fund finances, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. The National Marketing Fund may pay for maintaining, administering, directing and preparing video, audio, written and online materials; administering national, regional and multi-regional marketing and advertising materials and programs, including purchasing direct mail and other media advertising; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); using advertising, promotion and marketing agencies to provide assistance; supporting public relations, market research and other advertising, promotion and marketing activities; and developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices. The National Marketing Fund may advertise in printed materials or on radio or television for local, regional or national circulation. The National Marketing Fund will also be used for Internet lead generation programs, hosting, updating and maintaining one or more of our proprietary Sears Internet websites and any system or programs we deem necessary to support its operation. We and/or an advertising agency will produce all advertising and marketing materials.

We will account for the National Marketing Fund separately from our other funds and not use the National Marketing Fund for our general operating expenses. However, we may use the National Marketing Fund for reasonable administrative costs and overhead we incur in administering the National Marketing Fund and its programs, including conducting market research, preparing advertising, promotion and marketing materials, and collecting and accounting for National Marketing Fund contributions. We may use collection agents and institute legal proceedings to collect National Marketing Fund contributions at the National Marketing Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the National Marketing Fund. The National Marketing Fund is not our asset nor a trust, and we assume no fiduciary duty to you for administering the National Marketing Fund or for any other reason.

The National Marketing Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use interest earned on National Marketing Fund contributions to pay costs before spending the National Marketing Fund's other assets. We will not use National Marketing Fund contributions for advertising that principally is a solicitation for the sale of franchises. We will prepare an unaudited, annual statement of National Marketing Fund collections and costs and give it to you upon written request. We may incorporate the National Marketing Fund or operate it through a separate entity when we think best, and the successor entity will have all of the rights and duties described here. The National Marketing Fund is an ongoing strategic part of the franchise business maintained and administered by us. We may have financial statements of the National Marketing Fund audited and the National Marketing Fund will pay any costs in connection with an audit.

In the fiscal year ending February 3, 2018, contributions from Handyman Solutions franchisees to the National Marketing Fund were used as follows: 100% on digital marketing

The National Marketing Fund's purpose is to maximize recognition of the Marks and patronage of all Businesses. Although we will try to use the National Marketing Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Businesses, we need not ensure that National Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to contributions by Businesses operating in that geographic area or that any Business benefits directly or in proportion to its National Marketing Fund contribution from the development of advertising and marketing materials or the placement of advertising. We may at any time defer or reduce a franchisee's contributions and, upon 30 days' prior written notice to you, reduce or suspend National Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the National Marketing Fund. You have no claim to your National Marketing Fund contributions after your Franchise Agreement terminates or expires or at any other time. If we terminate the National Marketing Fund, we will (at our option) either spend the remaining National Marketing Fund assets on marketing-related activities or distribute the unspent assets to contributors (including us and our affiliates, if applicable) then contributing to the National Marketing Fund in proportion to their contributions during the preceding 12-month period. (Franchise Agreement – Section 9.A)

## Advisory Council

There is currently no advertising council composed of Handyman Solutions franchisees that advises us on advertising policies.

## Advertising Cooperatives

There currently are no franchisee advertising cooperatives. However, we may designate a geographic area in which 2 or more Businesses are located as a region for establishing an Advertising Cooperative. We will decide in advance how to organize and govern each Advertising Cooperative and when it will begin operating. Each Advertising Cooperative's purpose is to administer advertising programs and develop marketing and promotional materials for the area it covers. If we establish an Advertising Cooperative for the area in which your Business is located, upon 30 days' notice from us you must sign the documents we require to become a member of the Cooperative (which will be available for your review) and participate in the Advertising Cooperative as those documents require. We expect that Advertising Cooperative members will run the Cooperative with our input. If we establish an Advertising Cooperative, all franchisees and company-owned Businesses, if any, in the Advertising Cooperative for your region will contribute the same proportionate amount as determined by the Advertising Cooperative's governing documents. Franchisees and Businesses that we or our affiliates own will contribute to the Advertising Cooperative on the same basis.

Each member (including us if we or our affiliates operate a Business in the Advertising Cooperative's area) will have one vote in determining which programs the Advertising Cooperative runs, regardless of how many Businesses the member operates in the Cooperative's area. If any vote results in a tie, we may (but need not) cast an additional tie-breaking vote. Each member will contribute the same proportionate share toward the Advertising Cooperative's programs (for example, the same amount for each mailing made or television household located in the member's territory). We anticipate that the Advertising Cooperative will not prepare annual financial statements showing contributions and expenses. However, in the event any such statements are prepared, such statements will be available for participating members to review upon their written request. We have the power to form, change, dissolve or merge any Advertising Cooperative. Neither you nor any Advertising Cooperative may use any advertising, marketing or promotional materials that we have not approved. (Franchise Agreement – Section 9.B)

## Minimum Local Advertising Spending Requirement

Each fiscal quarter (as measured beginning on the Sunday closest to February 1), you must spend at least $10,000 to advertise and promote your Business on the local level ("Minimum Local Advertising Spending Requirement"). Amounts that you contribute to your Advertising Cooperative, as well as any monies you decide to spend on your own to advertise and promote your Business, count toward your Minimum Local Advertising Spending Requirement; however, your contributions to the National Marketing Fund do not count toward this requirement. Your required expenditures for your Advertising Cooperative runs could, by themselves, exceed the Minimum Local Advertising Spending Requirement. As part of the Minimum Local Advertising Spending Requirement, you must list your business with the online directories and subscriptions we periodically prescribe (such as Yelp® and Google®), and/or establish any other Online Presence (defined in Item 13) we require. (Franchise Agreement – Section 9.D)

**Restrictions on Use**

You may not, whether through advertising and marketing programs that you place on your own or that your Advertising Cooperative places, use any advertising, marketing or promotional materials that we have not approved. You may not send marketing emails (such as promotional emails, e-newsletters, digest emails, or other electronic advertising) to any third parties (through a subscriber list or otherwise) without our written consent. (Franchise Agreement – Section 9.C)

**Sears Internet Websites**

We may establish one or more websites (the "Sears Internet Websites") to advertise, market, and promote the Businesses, the products and services that they offer and sell, a Business franchise opportunity and other Sears home products and services and related franchise opportunities. We may, but are not obligated to, provide you with a webpage on the Sears Internet Website that references your Business. If we provide you with a webpage on the Sears Internet Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage; and (iv) pay our then current initial fee and monthly maintenance fee for the webpage. We own all intellectual property and other rights in the Sears Internet Websites, including your webpage, and all information they contain (including the domain name or URL for your webpage, the log of "hits" by visitors, and any personal or business data that visitors supply).

We will maintain any established Sears Internet Websites and may use the National Marketing Fund's assets to develop, maintain, and update the Sears Internet Websites. We may periodically update and modify the Sears Internet Websites (including your webpage). We have final approval rights over all information on the Sears Internet Websites (including your webpage). We may implement and periodically modify system standards relating to the Sears Internet Websites. We have no obligation to maintain any Sears Internet Website. We may, at any time, cease operating any Sears Internet Website and take any action as may be required to disable the Sears Internet Website.

Even if we provide you a webpage on the Sears Internet Website, we will only maintain such webpage while you are in full compliance with the Franchise Agreement and all system standards we implement (including those relating to the Sears Internet Websites). If you are in default of any obligation under the Franchise Agreement or our system standards, then we may, in addition to our other remedies, temporarily remove your webpage from the Sears Internet Website until you fully cure the default. We will permanently remove your webpage from the Sears Internet Website upon the Franchise Agreement's expiration or termination.

All advertising, marketing, and promotional materials that you develop for the Business must contain notices of the Sears Internet Websites' domain names in the manner that we designate.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website (other than a Sears Internet Website) or other Online Presence that mentions the Business, links to our Sears Internet Websites or displays any of the Marks. If we approve the use of any such websites or other Online Presences in the operation of your Business, or the posting of messages relating to your Business on other websites, you will do so only in accordance with our guidelines. We may require our approval of any message you compose for an Online Presence before you post such message or commentary. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

**Computer System**

You must buy or lease the computer hardware equipment and accessories and compatible software programs that we periodically require for Businesses ("Computer System"). Currently, you must buy or lease the following (or better) computer hardware and accessories ("Hardware"):

- 1 personal computer with minimum 8 GB RAM with Windows 7 or 10 operating system and 500 GB minimum free space on hard drive.
- 1 color monitor, CD/DVD ROM, Keyboard and mouse
- 1 Dot matrix printer – Okidata ML320 or 321 or Epson LQ-590 series capable of printing in-stock form fed invoices
- 1 Inkjet or laser printer (recommended for printing reports)
- a minimum 5MB Internet connection

Although we might recommend a local vendor for the Hardware, you may buy or lease this equipment from any supplier as long as the components meet our standards and specifications. The Hardware has an estimated cost of approximately $600 to $1,500. No party has the contractual right or obligation to provide ongoing maintenance, repairs, upgrades or updates for the Hardware, and we anticipate a service contract to cost from $100 to $200 per year, depending on local market conditions.

You will need to have access to following software systems (the "Sears Systems"), which will be installed on your Computer System:

- Sears Email (Office 365). A dedicated email address will be given to you. This email address will be the main form or communication between you and us. You will access the email system via "Microsoft Office 365".

- eUltraCare. This is a web-based, point-of-sales system program that does not require VPN Access.

In addition to the Sears Systems, you must purchase licensed anti-virus and anti-spyware software and keep all software current with the manufacturer's update. You must also purchase and install the Microsoft Office Suite. You may buy these items from any authorized provider or directly from your Office 365 account. The software has an estimated cost of approximately $240 to $500. Also, we will give you, at no additional cost, the point-of sales system, currently "eUltraCare," an initial copy of QuickBooks for accounting purposes and First Data (embedded in eUltraCare) software to operate your Business. eUltraCare includes order entry, scheduling, routing/dispatching and reporting functionality to collect customer information and prepare operational reports, and integrates with First Data (embedded in eUltraCare), which provides credit card approvals and financial settlements with various credit card companies. The eUltraCare software is our proprietary property and we may modify or enhance it at any time. QuickBooks is the proprietary product of Intuit, Inc. First Data is the proprietary property of First Data. We may designate other software programs and upgrades to perform the functions described above.

No party has the contractual right or obligation to provide upgrades, updates or support for Microsoft Windows 7 or 10 operating system or Microsoft Office or QuickBooks and we are unable to estimate the cost of a service contract. Your Software Support Fee pays for our supporting and providing upgrades and updates to eUltraCare (and First Data) for as long as we require you to continue using that program. The Software Support Fee is currently $200 (which may be increased to $500) per month for one office plus $50 a month for each additional office. We have independent, unlimited daily access to all of the business-related information we request that you maintain on your Computer System. At your expense (except for eUltraCare, and First Data, as discussed above), you must modify, enhance, upgrade and/or replace the Computer System's hardware and software components as we require, and you must comply with our directions within 60 days; otherwise, no contract limits our right to require these changes.

**<u>Site Approval and Opening Requirements</u>**

You must operate your Business from a full-service business office located within the Territory. A "full-service" office must meet the requirements that we specify, such as providing you with the ability to field customer phone calls, book jobs, dispatch workers, and otherwise run the day-to-day operations of your Business. If we approve, you may operate your Business from an office in your home, but we may revoke this approval and require you to operate from a rented or owned office location separate from your home at any time during the franchise term. There is no time limit within which we must approve or disapprove the proposed site. We estimate that you will begin operating your Business between 10 and 45 days after signing the Franchise Agreement, depending on when you complete training, obtain the required equipment, materials and supplies and obtain insurance. You must open your

Business within 90 days after signing the Franchise Agreement. We may terminate the Franchise Agreement if you do not open within this 90-day period. Our general requirement is that if you own multiple Territories, you must operate an office in each Territory. However, if the Territories are contiguous, with prior written approval from us, we may waive the requirement that you have a separate office in each Territory or we may require you to maintain an office in each Territory but may permit those offices to be less than full service offices as long as you have at least one full service office. We typically do not own or lease the site where your office is located.

If you sign the Conversion Addendum, you must complete the conversion of your existing business to a Sears Business within 60 days of the date you sign the Franchise Agreement. Failure to complete the conversion within 60 days is a default of the Franchise Agreement giving rise to our right to terminate your Franchise Agreement. In order to convert your existing business you must, among other things, cover or remove all signage and other references to your existing business's former name at your business office and on all equipment and Service Vehicles; repair, replace, or refurbish all of your equipment and Service Vehicles as necessary to ensure they comply with system standards; install Sears signage on your equipment and Service Vehicles; and complete the training obligations described in the preceding paragraph.

**Training**

Before you begin operating your Business, we will train you (or, if you are a corporation, partnership, limited liability company or other business entity, your managing owner) and your management or supervisory personnel in operating a Business. Unless we agree otherwise, all persons from your Business must attend the initial training program together. You (or your managing owner) and any general manager you designate as having direct responsibility for your Business's day-to-day operation ("General Manager") must complete the initial training program to our satisfaction. Our training program consists of 3 days of training using the Business Manual for instructional materials. Training will occur at our headquarters in Columbus, Ohio, or at a facility designated by us, at any time after you sign the Franchise Agreement and before you begin operating your Business. Once you have completed our initial training to our satisfaction, you may begin operating your Business. We plan to be flexible in scheduling training to accommodate our personnel, you and your personnel, and we expect to conduct training approximately once per month. Over the next 6 months and throughout the term of the Franchise Agreement, you may be required to attend additional training at a designated facility and location at your expense.

Although we charge no tuition for the initial training program, you must pay all travel and living expenses for you and your personnel. If we determine that you (or your managing owner) or any person from your Business is not qualified to operate a Business or has not satisfactorily completed training, we either may terminate the Franchise Agreement or require that person to attend the next training session at your expense (including tuition and all travel and living expenses). If that person does not satisfactorily complete the second initial training program, we again may terminate the Franchise Agreement. We may require you and your personnel to attend any supplemental or refresher training programs that we offer during the franchise term, and you must pay all tuition charges and travel and living expenses for you and your personnel. (Franchise Agreement – Section 2.A)

As of the date of this Disclosure Document, we provide the following initial training:

**TRAINING PROGRAM**

| **Subject** [1,2] | **Hours of Classroom Training** | **Hours of On-the-Job Training** | **Location** |
|---|---|---|---|
| Sears Franchising Overview | 1 | | Columbus, Ohio |
| Purchasing and Inventory | 1 | | Columbus, Ohio |
| Human Resources | 0.5 | | Columbus, Ohio |
| Accounting | 2 | | Columbus, Ohio |
| Telephone Script | 3 | | Columbus, Ohio |
| Customer Service | 0.5 | | Columbus, Ohio |
| Key Drivers | 1 | | Columbus, Ohio |
| General Office Organization | 1 | | Columbus, Ohio |
| Marketing/Advertising | 2 | | Columbus, Ohio |
| Information Systems | 2 | | Columbus, Ohio |
| Operations | 6 | | Columbus, Ohio |
| Total | 20 | 0 | |

NOTES:

1. Steve Cohen supervises our training program. Mr. Cohen has 7 years of experience with us or our affiliates and over 35 years of experience in the subjects taught.
2. Our Franchise Disclosure Document, Franchise Agreement, and Business Manual and related training (including on-the-job training), discussions and software review serve as the principal instructional materials.

## ITEM 12

## TERRITORY

When you sign the Franchise Agreement, we will grant you a protected area within which we will neither, except as described below, operate nor grant rights to operate a Business under the Marks (the "Territory"). However, other Sears affiliates and facilities may offer and sell similar services and products to customers located within your Territory. The size of the Territory depends on the initial franchise fee you pay and usually includes between 30,000 and 100,000 Qualified Households. We mark the Territory's boundaries by Sectional Center Facilities (the post office's groupings for zip codes) and always identify the Territory in an exhibit to the Franchise Agreement before you sign it. You may operate the Business from any site in the Territory. You may only solicit or service customers located within the Territory; accordingly, you do not have the right to use other channels of distribution, such as Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. During the franchise term, we may:

(1) establish and operate, and grant others the right to establish and operate, Businesses or any similar or dissimilar businesses under the Marks or any other trademarks or service marks at any location outside the Territory, including on the border of the Territory, and under any terms and conditions that we deem appropriate;

(2) establish and operate, and grant others the right to establish and operate a business offering and selling the same products and services as those offered through the Business under any trademark or service mark (other than the Marks) at any location within or outside the Territory;

(3) sell and otherwise distribute products and/or provide services similar to those that you offer through your Business through alternate channels of distribution (such as retail outlets or the Internet), under the Marks or any other trademarks or service marks, at any location (whether within or outside the Territory) and under any terms and conditions that we deem appropriate;

(4) subject to your right of first refusal described below, provide any products and services, and grant others the right to provide any products and services, to any Multi-Regional Account Sites (defined below), whether under the Marks or any other trademarks or service marks and under any terms and conditions that we deem appropriate;

(5) acquire the assets or ownership interests of one or more businesses that operate, or grant franchises or licenses to operate, businesses providing Services, and franchise, license or create similar arrangements with these

businesses once acquired, whether those businesses (or the franchisees or licensees of those businesses) are located within or outside the Territory;

(6) be acquired (regardless of the form of transaction) by a residential and/or commercial handyman business or other business, even if that business operates, franchises and/or licenses Competitive Businesses (defined in Item 17) within the Territory; and

(7) engage in all other activities not expressly prohibited by the Franchise Agreement.

During the franchise term, if you are complying with the Franchise Agreement and we decide to contract with a Multi-Regional Account, we will grant you a right of first refusal to provide the goods and services we designate to the Multi-Regional Account sites which are located within the Territory ("Multi-Regional Account Sites") at the prices (or lower prices) and on the dates that we designate. You must notify us of your decision whether or not to exercise your right of first refusal within 20 days after we notify you of your right. If you elect not to exercise or fail to exercise your right of first refusal within that 20-day period, or if you did not receive a right of first refusal due to your noncompliance with the Franchise Agreement, then we may provide products and services (or grant another party the right to provide products and services) to the Multi-Regional Account Sites. A "Multi-Regional Account" means any customer of Services which operates sites located in the protected territory of more than 1 Business (including Businesses that we or our affiliates own or operate).

Our affiliates may operate retail stores, including those that operate under the Marks (other than a Business), to customers located within your Territory. As disclosed in Item 1, our affiliate, ServiceLive, Inc., owns and operates ServiceLive.com, a website that allows persons seeking a supplier for various service projects to locate and contract with service provider firms that are members of ServiceLive.com. The service provider firms may be an independent third party, our affiliate, our franchisee, or a franchisee or licensee of one of our affiliates. A ServiceLive.com provider firm member may solicit, accept orders for, and/or provide services and products (including the Services) that you provide from customers located anywhere, including within your Territory. If any conflict arises between us and our affiliates (and our and their franchisees (if any)), we will take the action we deem appropriate. ServiceLive, Inc. does not share our principal business address.

Except as described above, neither we nor our affiliates have established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we have the right to do so in the future. Continuation of your territorial protection does not depend on your achieving a certain sales volume, market penetration or other contingency, and we may not alter your Territory. Except as described above, you have no options, rights or first refusal or similar rights to acquire additional franchises within your Territory or contiguous territories.

We are not required to pay you if we exercise any of the rights specified above inside your Territory.

## ITEM 13

## TRADEMARKS

You may use the following Mark when operating your Business:

| Mark | Registration No. on PTO's Principal Register | Registration Date |
|---|---|---|
| SEARS | Reg. No. 2,922,885 | February 1, 2005 |

All applicable affidavits and renewals have been filed for this Mark.

We license the right to use and sublicense the Marks from our affiliates, who own all rights to the Marks. Sears Brands owns the Sears® mark and has granted Sears Brands Business Unit Corporation ("SBBUC") an exclusive license to use and sublicense the use of such marks. SBBUC has in turn granted Sears Roebuck an exclusive license to use and sublicense the use of the Sears® marks. We license the Marks from Sears Roebuck. Our license agreement is perpetual but revocable by Sears Roebuck and can be terminated for any reason, including if we (or you or our franchisees) do not follow Sears Roebuck's rules about quality and customer satisfaction and other rules relating to the Marks. No agreement significantly limits our rights to use or sublicense the Marks in a manner material to the franchise.

You must follow our rules when you use the Marks. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs or symbols (except for those we license to you) or in a modified form; in selling any unauthorized services or products; as part of any domain name or electronic address you maintain or otherwise on the Internet, the World Wide Web or any other similar proprietary or common carrier electronic delivery system or in any user name, screen name or profile in connection with any social networking websites (including LinkedIn®, Twitter®, Facebook®, or YouTube®) (an "Online Presence"), except upon our approval in accordance with our guidelines provided for in the Business Manual or otherwise in writing periodically; or in any other way we have not expressly authorized in writing. You must prominently display the Marks we designate on your Service Vehicles and on the contracts, forms, equipment, uniforms and other materials we authorize. You also must give the trade and service mark registration notices we specify and obtain the fictitious or assumed name registrations the law requires.

There are no currently effective material determinations of the United States Patent and Trademark Office ("PTO"), the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition or cancellation proceedings or material litigation, involving the principal Mark. We know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and you may not communicate with any person other than us, our and our affiliates' attorneys, and your attorneys regarding any infringement, challenge or claim. We or our affiliates may take the action that we or our affiliates deem appropriate and control exclusively any litigation, PTO proceeding or other administrative proceeding from the infringement, challenge or claim or otherwise concerning any Mark. You must sign the documents and take the actions that, in the opinion of our or our affiliates' attorneys, are necessary or advisable to protect and maintain our and Sears interests in any litigation or PTO or other proceeding or otherwise to protect and maintain our and our affiliates' interests in the Marks.

We will reimburse you for all damages and expenses you incur in any trademark infringement proceeding disputing your authorized use of any Mark if you timely notify us of the proceeding, have complied with the Franchise Agreement, and comply with our directions in responding to the proceeding. At our option, we may defend and control the defense of any proceeding relating to your use of any Mark.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We will reimburse your reasonable direct expenses in modifying, discontinuing and/or substituting trademarks, but we need not reimburse you for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents, or any currently pending patent applications which we may have filed, are material to the franchise. We claim copyrights in the Business Manual (which contains our trade secrets), advertising and marketing materials and similar items used in operating Businesses. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time. You may use these items only as we specify while operating your Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if in our system's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Business Manual and other materials contain our "Confidential Information," which includes methods, techniques, formats, specifications, procedures, equipment, information, systems, sales and marketing techniques and programs, and knowledge of and experience in developing and operating Businesses; advertising, marketing and promotional programs for Businesses; knowledge of, specifications for and suppliers of certain equipment, products, materials and supplies used to operate Businesses; knowledge of the operating results and financial performance of Businesses other than your Business; and customer lists and contracts for your Business and other Businesses. You acquire no interest in the Confidential Information other than the right to use certain Confidential Information to operate your Business. You must: (a) use the Confidential Information only to operate the Business and not in any other business or capacity; (b) keep all Confidential Information absolutely confidential during and after the Franchise Agreement's term; (c) not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (d) adopt and implement all reasonable measures we designate to prevent unauthorized use or disclosure of the Confidential Information, which may include requiring each of your employees to sign a confidentiality agreement we approve. "Confidential Information" does not include any information, knowledge or know-how you acquired before we or our current, former or future affiliates provided it to you.

All ideas, concepts, techniques or materials concerning a Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property, part of our system and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must sign whatever assignments or other documents we reasonably request to show our ownership or to help us obtain intellectual property rights in that item.

## ITEM 15

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

You must at all times faithfully, honestly and diligently perform your contractual obligations and continuously exert your best efforts to promote and enhance your Business, and your Business must continuously develop and service customers within the Territory. Our standards and specifications may regulate your Business's hours of operation, human relations policies and employee qualifications, training, dress and appearance. In all dealings with customers, suppliers, the public and us, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct, as well as the applicable parts of the Sears Code of Business Conduct, as described in the Business Manual. Although we recommend that you do so, if you (or your managing owner) choose not to participate personally in your Business's operation you must designate a General Manager who completes our initial training program to our satisfaction. Your General Manager need not have an equity interest in your Business (or in you). We may require you to have your General Manager sign a confidentiality and noncompetition agreement.

If you are a corporation, partnership, limited liability company or other business entity, and we require, your owners must personally guarantee your obligations under the Franchise Agreement and related documents and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Also, if any of such owners is married and resides in a state that requires a spousal signature in order to bind the assets of the marital estate, their spouse may have to consent in writing to their signing of such guaranty and the binding of the assets of the marital estate under such guaranty. This "Owner's and Guarantor's Undertaking" is part of the Franchise Agreement.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all products and perform all services (including the Services) that we periodically require for Businesses, and you may not offer any products or perform any services that we have not authorized. You may not offer any Services in the United States except through your Business. We periodically may change required and/or authorized products and services and product and service categories, and there are no limits on our right to do so. You may not sell products or provide services to any customers located outside your Territory. You might have a right of first refusal to provide services to Multi-Regional Account Sites.

We may, periodically, set maximum or minimum prices that you may charge for products or services offered by your Business. If we impose a maximum or minimum price on a particular product or service, you may charge any price for the product or service up to and including the maximum price set by us or down to and including the minimum price set by us. However, you may not charge any price in excess of the maximum price or below the minimum price set by us.

Our standards and specifications may regulate service, safety and quality standards and procedures. Our "Satisfaction Guaranteed" policy is an important part of our standards and specifications. You must promptly address and report all customer complaints that we require to us, and we may settle any disputes between your customer and your Business.

## ITEM 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

## THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| (a) Length of the franchise term | Section 1.B | 10 years |
| (b) Renewal or extension of the term | Section 14 | 10 year renewal if you meet certain requirements |
| (c) Requirements for franchisee to renew or extend | Section 14 | Written notice, substantial compliance throughout the franchise term (including payment of all amounts owed to us or our affiliates under the Franchise Agreement or any other agreement), refurbish equipment or make necessary repairs, we still offer franchises for Businesses in the geographic area surrounding your Territory, pay renewal fee, and sign release (if state law allows) and then current form of Franchise Agreement and ancillary agreements.<br><br>If you seek to renew your franchise at the expiration of the initial term, you will be required to sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights. |
| (d) Termination by franchisee | Not applicable | You do not have this right |
| (e) Termination by franchisor without cause | Not applicable | We do not have this right |
| (f) Termination by franchisor with cause | Section 15 | We can terminate only if you commit one or more of several violations |
| (g) "Cause" defined – curable defaults | Section 15; Section 2 of Conversion Addendum | You have 10 days to cure any failure to accurately report Gross Revenue or pay amounts owed and 30 days to cure all other defaults not listed in (h) |

| Provision | | Section in Franchise Agreement | Summary |
|---|---|---|---|
| (h) | "Cause" defined – non-curable defaults | Section 15 | Abandonment for more than 7 consecutive days, failure to open on time, failure to maintain insurance, unauthorized transfer, material misrepresentation or omission, failure to satisfactorily complete training, conviction of or no contest plea to a felony or other crime, committing an act likely to adversely affect reputation, interfering with our right to inspect or audit, failure to pay taxes, bankruptcy, losing possession of Service Vehicles or equipment, termination of any other Franchise Agreement between you (or your owners or affiliates) and us, unauthorized use or disclosure of Confidential Information or Business Manual, 3 or more repeated violations during any 12-month period, understating Gross Revenue (except for inadvertent error) 2 or more times, unauthorized use of any Mark or committing an act reasonably expected to materially impair goodwill of Marks, violation of any law, and failure to comply with anti-terrorism laws |
| (i) | Franchisee's obligations on termination/nonrenewal | Section 16 and Section 14.C | Pay outstanding amounts, de-identify, stop using Marks, return Business Manual and our Confidential Information (including your customer lists and contracts), cancel fictitious or assumed name registrations, assign telephone number, notify telephone company and listing agencies and, at our option, cease operating or using any Online Presence, or cancel or assign to us, at our option, all rights in and to any such Online Presence; execute noncompete agreement |
| (j) | Assignment of contract by franchisor | Section 13.A | No restriction on our right to assign |
| (k) | "Transfer" by franchisee – defined | Section 13.B | Includes transfer (or attempted transfer) of interest in the Franchise Agreement, assets, Business, Franchise or you and noncompete agreement |
| (l) | Franchisor approval of transfer by franchisee | Section 13.B | We must approve all transfers; you may not transfer without our approval |

| Provision | | Section in Franchise Agreement | Summary |
|---|---|---|---|
| (m) | Conditions for franchisor approval of transfer | Section 13.C | Full compliance, transferee qualifies, transferee assumes all your obligations, you pay all amounts and submit reports then owed us, transferee satisfactorily completes training, transferee signs then current form of Franchise Agreement (which may differ materially from current Franchise Agreement) and ancillary agreements, pay transfer fee, you (and your owners) sign release (if state law allows), we approve material terms and conditions of transfer, transferee refurbishes equipment and Service Vehicles and makes necessary repairs and you subordinate payments |
| (n) | Franchisor's right of first refusal to acquire franchisee's business | Section 13.F | We can match offers |
| (o) | Franchisor's option to purchase franchisee's business | Not applicable | We do not have this right |
| (p) | Death or disability of franchisee | Section 13.D | Executor, administrator, conservator or other personal representative must transfer within 6 months of your (or your owner's) death or permanent disability |
| (q) | Non-competition covenants during the term of the franchise | Section 5 | No involvement in any Competitive Business located or operating in the United States (or its territories or possessions). The term "Competitive Business" means (i) any business offering or selling a method of service and the provision of related services, as well as the sale of related products and any other services offered by a Business, or (ii) any business granting franchises or licenses to others to operate the types of businesses specified in subparagraph (i) (other than a Business operated under a franchise agreement with us). |
| (r) | Non-competition covenants after the franchise is terminated expires | Section 13.C(10), Section 14.C | No involvement in any Competitive Business located within 10-mile radius of the outer limits of the territory for 2 years. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| (s) Modification of the agreement | Sections 2.C and Section 17.L | No modification unless by written agreement, but Business Manual subject to change |
| (t) Integration/merger clause | Section 17.N | Only terms of Franchise Agreement and related documents, along with Business Manual, are binding (subject to state law). Other promises might not be enforceable. However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in the Disclosure Document. |
| (u) Dispute resolution by arbitration or mediation | Section 17.F | All disputes arbitrated at the Chicago, Illinois office of the American Arbitration Association |
| (v) Choice of forum | Section 17.H | Litigation must be in Illinois (subject to state law) |
| (w) Choice of law | Section 17.G | Illinois law applies (subject to state law) |

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit I.

## ITEM 18

## PUBLIC FIGURES

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

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 Steve Cohen, Sears Home & Business Franchises, Inc., 400 Lazelle Road, Suite 13, Columbus, Ohio 43240 (614) 883-6201, the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

### TABLE NO. 1
### SYSTEMWIDE FRANCHISED BUSINESS SUMMARY
### FOR YEARS 2015 to 2017[1]

| Outlet Type | Year | Businesses at the Start of the Year | Businesses at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2015 | 12 | 21 | +9 |
| | 2016 | 21 | 22 | +1 |
| | 2017 | 22 | 14 | -8 |
| Company-Owned | 2015 | 1 | 1 | 0 |
| | 2016 | 1 | 1 | 0 |
| | 2017 | 1 | 1 | 1 |
| **Total Outlets** | **2015** | **13** | **22** | **+9** |
| | **2016** | **22** | **23** | **+1** |
| | **2017** | **23** | **15** | **-8** |

1/ These numbers are as of January 30, 2016, January 28, 2017, and February 3, 2018. Unless otherwise noted, each number in the tables for this Item 20 represents a Territory in which a franchised business is operated. Franchisees sign a separate franchise agreement for each Territory in which they operate their franchised business.

### TABLE NO. 2

### TRANSFERS OF BUSINESSES FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2015 to 2017[1]

| State | Year | Number of Transfers |
|---|---|---|
| California | 2015 | 1 |
| | 2016 | 0 |
| | 2017 | 0 |
| **Total** | **2015** | **1** |
| | **2016** | **0** |
| | **2017** | **0** |

1/ These numbers are as of January 30, 2016, January 28, 2017, and February 3, 2018.

## TABLE NO. 3

## STATUS OF FRANCHISED BUSINESSES FOR YEARS 2015 to 2017[1]

| State[2] | Year | Businesses at Start of Year | Businesses Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Businesses at End of Year |
|---|---|---|---|---|---|---|---|---|
| California | 2015 | 4 | 4 | 0 | 0 | 0 | 0 | 8 |
| | 2016 | 8 | 1 | 3 | 0 | 0 | 0 | 6 |
| | 2017 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Colorado | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Florida | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Georgia | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Illinois | 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 Jersey | 2015 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2017 | 3 | 0 | 2 | 0 | 0 | 0 | 1 |
| Nevada | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New York | 2015 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Ohio | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Pennsylvania | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Texas | 2015 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2017 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| Virginia | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2015** | **12** | **9** | **0** | **0** | **0** | **0** | **21** |
| | **2016** | **21** | **6** | **5** | **0** | **0** | **0** | **22** |
| | **2017** | **22** | **0** | **8** | **0** | **0** | **0** | **14** |

1/ These numbers are as of January 30, 2016, January 28, 2017, and February 3, 2018.

2/ The states noted in the table above represent where a franchisee's Territory is located, which in some cases is different than the state where the franchisee's office is located. The list of franchisees attached as Exhibit H indicates both the state where the Territory is located and each franchisee's office location. Franchisees sign a separate franchise agreement for each Territory in which they operate their franchise Business.

## TABLE NO. 4

## STATUS OF COMPANY-OWNED BUSINESSES FOR YEARS 2015 to 2017[1]

| State | Year | Businesses at Start of Year | Businesses Opened | Businesses Reacquired from Franchisee | Businesses Closed | Businesses Sold to Franchisee | Businesses at End of Year |
|---|---|---|---|---|---|---|---|
| Ohio | 2015 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2017 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Totals** | **2015** | **1** | **0** | **0** | **0** | **0** | **1** |
| | **2016** | **1** | **0** | **0** | **0** | **0** | **1** |
| | **2017** | **1** | **0** | **0** | **0** | **0** | **1** |

1/ These numbers are as of January 30, 2016, January 28, 2017, and February 3, 2018.

## TABLE NO. 5

## PROJECTED OPENINGS as of February 3, 2018

| State | Franchise Agreements Signed But Business Not Opened | Projected New Franchised Businesses in the Next Fiscal Year | Projected New Company-Owned Businesses in the Next Fiscal Year |
|---|---|---|---|
| Colorado | 0 | 1 | 0 |
| Georgia | 0 | 1 | 0 |
| Kentucky | 0 | 1 | 0 |
| South Carolina | 0 | 1 | 0 |
| Texas | 0 | 1 | 0 |
| **Totals** | **0** | **5** | **0** |

Attached as Exhibit H is a list of all of our Handyman Solutions franchisees and the addresses and telephone numbers of their Businesses as of February 3, 2018. Attached as Exhibit H-1 is a list of all Handyman Solutions franchisees who had a Franchise Agreement terminated, cancelled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

In the past 3 fiscal years, certain franchisees have signed confidentiality provisions. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Sears franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. We are not aware of any trademark-specific franchisee organizations associated with our franchise system.

## ITEM 21

## FINANCIAL STATEMENTS

Exhibit B contains (a) our audited Balance Sheets as of February 3, 2018, and January 28, 2017, and the Statements of Income, Stockholder's Equity and Cash Flows and related notes for each of the years ended February 3, 2018, January 28, 2017, and January 30, 2016, and (b) our unaudited financial schedules as of May 5, 2018.

## ITEM 22

## CONTRACTS

The following agreements are exhibits to this Disclosure Document:

| | |
|---|---|
| Exhibit C | Franchise Agreement and Owner's and Guarantor's Undertaking |
| Exhibit D | Conversion Addendum |
| Exhibit E | Representations and Acknowledgment Statement |
| Exhibit F | Sample General Release |
| Exhibit I | State-Specific Riders to Franchise Agreement |

## ITEM 23

## RECEIPTS

Exhibit J contains detachable documents acknowledging your receipt of the Disclosure Document.

# EXHIBIT A

## STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

## SEARS HANDYMAN SOLUTIONS

## EXHIBIT A

## STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

**CALIFORNIA**

Department of Business Oversight:
Toll Free: 1 (866) 275-2677

*Los Angeles*

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

*Sacramento*

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

*San Diego*

1350 Front Street
San Diego, California 92101
(619) 525-4044

*San Francisco*

One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8559

**HAWAII**

(agent for service of process)

Commissioner of Securities of the
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

**ILLINOIS**

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

**INDIANA**

(state administrator)

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

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

**MARYLAND**

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

**MICHIGAN**

(state administrator)

Attorney General's Office
Consumer Protection Division
Attention: Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

**MINNESOTA**

Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101-2198
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101-2198
(651) 539-1600

**NEW YORK**

(state administrator)

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 Phone
(212) 416-6042 Fax

(agent for service of process)

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

**NORTH DAKOTA**

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

**OREGON**

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

**RHODE ISLAND**

Department of Business Regulation
Division of Securities
John O. Pastore Complex
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

**SOUTH DAKOTA**

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

**VIRGINIA**

(state administrator)

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

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

**WASHINGTON**

(state administrator)

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

(agent for service of process)

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

**WISCONSIN**

Securities and Franchise
Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

# EXHIBIT C

# FRANCHISE AGREEMENT

# SEARS HANDYMAN SOLUTIONS

**SEARS HANDYMAN SOLUTIONS**

**FRANCHISE AGREEMENT**

______________________________
FRANCHISEE

______________________________
DATE OF AGREEMENT

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**EXHIBITS AND ATTACHMENTS**

## SEARS HANDYMAN SOLUTIONS

## FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (this "Agreement") is made and entered into this _____ day of ____________, 20___ (**"Agreement Date"**) by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 400 Lazelle Road, Suite 13, Columbus, Ohio 43240 (the **"COMPANY"**), and _________________ ____________________________, whose principal address is ________________________ ____________________________ (**"FRANCHISEE"**).

1. **PREAMBLES; GRANT OF FRANCHISE AND TERRITORY.**

A. **PREAMBLES**.

The COMPANY has developed a business providing quality small residential and small commercial repairs, installation of shelving, interior painting, drywall repair, minor floor repair, fixture installation, minor plumbing and electrical, and home maintenance and other services as may be approved by the COMPANY, excluding repair of garage doors and home appliances (the **"BUSINESS"**), which utilizes certain specifications, standards, operating procedures and specialized equipment, all of which may be improved, further developed or otherwise modified by the COMPANY from time to time. The COMPANY owns or licenses all rights to, interest in and goodwill of, and uses, promotes and licenses, certain trade names, trademarks, service marks and other commercial symbols, including the marks "SEARS®," "SEARS HOME SERVICES®," "HOMECENTRAL®," "1-800-4-MY-HOME®;" and other trademarks and service marks (**"Marks"**). FRANCHISEE acknowledges that it has read this Agreement and the COMPANY's franchise disclosure document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the COMPANY's high standards of quality and service. FRANCHISEE acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks and that the success of the venture is largely dependent upon the business abilities and financial strength of FRANCHISEE. FRANCHISEE acknowledges and agrees that the COMPANY's officers, directors, employees and agents act only in a representative and not in a personal capacity in their dealings with FRANCHISEE. FRANCHISEE further acknowledges that it has not received or relied upon any warranty or guaranty, express or implied, as to the potential revenues, profits or success of the Franchise (as defined below) or policies made by the COMPANY or its officers, directors, employees or agents that are contrary to the statements made in the COMPANY's franchise disclosure document. FRANCHISEE further represents to the COMPANY, as an inducement to its entry into this Agreement, that FRANCHISEE has made no misrepresentations in obtaining the Franchise (defined below).

B. **GRANT OF FRANCHISE.**

FRANCHISEE has applied for a franchise to own and operate a BUSINESS and such application has been approved by the COMPANY in reliance upon all of the representations made in such application. Subject to the provisions of this Agreement, the COMPANY hereby grants to FRANCHISEE a franchise (**"Franchise"**) to operate a BUSINESS in the Territory described in Exhibit 1 to this Agreement (**"Territory"**), and to use the Marks in the operation thereof, for a term of ten (10) years commencing on the Agreement Date. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise. FRANCHISEE agrees to commence operating its BUSINESS within ninety (90) days after the Agreement Date. FRANCHISEE agrees that it will at all times faithfully, honestly and diligently perform its obligations hereunder, that it will continuously exert its best efforts to effectively promote and enhance its BUSINESS and that its BUSINESS will continuously develop and service customers within its Territory.

C. **BUSINESS OFFICE AND CUSTOMER RESTRICTIONS.**

FRANCHISEE shall at all times operate its BUSINESS from a full-service business office located within the Territory. A "full-service" office must meet the requirements that the COMPANY specifies, such as providing FRANCHISEE with the ability to field customer phone calls, book jobs, dispatch workers, and otherwise run the day-to-day operations of the BUSINESS. If FRANCHISEE owns multiple Territories, FRANCHISEE shall operate an office in each Territory; provided, however, that if the Territories are contiguous and FRANCHISEE obtains the COMPANY's prior written approval, the COMPANY may waive this requirement or may permit FRANCHISEE to maintain offices which are less than full service as long as FRANCHISEE has at least one full-service office. If FRANCHISEE requests and the COMPANY, in its sole discretion, approves, FRANCHISEE may operate the BUSINESS from an office in FRANCHISEE's (or its owner's) home; provided, however, that the COMPANY may at any time during the Franchise term and in its sole discretion revoke such approval and require FRANCHISEE to operate from a rented or owned business location separate from its home. FRANCHISEE acknowledges and agrees that its BUSINESS may not sell any products or provide any services, and may not (except as otherwise provided in this Agreement) offer to sell any products or provide any services, to any customer located outside the Territory. In addition, except in connection with the approved Sears Internet Websites (as defined in Section 9.E below), FRANCHISEE may not engage in any promotional or similar activities, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system.

D. **TERRITORY; RESERVATION OF RIGHTS.**

So long as FRANCHISEE is in compliance with this Agreement, then during the term of this Agreement, the COMPANY will not operate, nor grant to another party the right to operate, a BUSINESS under the Marks within the Territory. Notwithstanding the foregoing, during and after the term of this Agreement, the COMPANY may:

(1) establish and operate, and grant others the right to establish and operate, a BUSINESS or any similar or dissimilar business, whether under the Marks or any other

trademarks or service marks, at any location outside the Territory (including on the border of the Territory) and under any terms and conditions that the COMPANY deems appropriate;

(2) establish and operate, and grant others the right to establish and operate a business (including, but not limited to, an Internet site) offering and selling the same products and services as those offered through the BUSINESS at any location within or outside the Territory under any trademark or service mark (other than the Marks);

(3) rent, sell and otherwise distribute products and/or provide services similar to those offered through BUSINESSES through alternate channels of distribution (such as retail outlets and Internet), whether under the Marks or any other trademarks or service marks, at any location (whether within or outside the Territory) and under any terms and conditions that the COMPANY deems appropriate;

(4) subject to FRANCHISEE's right of first refusal described in Section 1.E below, provide any products and services, and grant others the right to provide any products and services, to any Multi-Regional Account Sites, as defined in Section 1.E, whether under the Marks or any other trademarks or service marks and under any terms and conditions that the COMPANY deems appropriate;

(5) acquire the assets or ownership interests of one or more businesses that operate, or grant franchises or licenses to operate, businesses providing products or services offered by BUSINESSES, and franchise, license or create similar arrangements with respect to such businesses once acquired, whether such businesses (or the franchisees or licensees of such businesses) are located within or outside the Territory;

(6) be acquired (regardless of the form of transaction) by a residential and/or commercial handyman business or other business, even if such business operates, franchises and/or licenses Competitive Businesses (defined in Section 5 below) within the Territory; and

(7) engage in all other activities not expressly prohibited by this Agreement.

## E. <u>RIGHT OF FIRST REFUSAL FOR MULTI-REGIONAL ACCOUNTS</u>.

If, during the term of this Agreement, FRANCHISEE is in compliance with this Agreement and the COMPANY decides, in its sole discretion, to contract with a Multi-Regional Account for the provision of services which are offered by the Franchise, then the COMPANY shall grant to FRANCHISEE a right of first refusal to provide the goods and services that the COMPANY designates to the sites of the Multi-Regional Account which are located within the Territory (**"Multi-Regional Account Sites"**) at the prices (or lower prices) and on the dates that the COMPANY prescribes. FRANCHISEE shall notify the COMPANY of its decision whether or not to exercise the right of first refusal within twenty (20) calendar days after the COMPANY notifies FRANCHISEE of its right. If FRANCHISEE elects not to exercise or fails to exercise its right of first refusal within such twenty (20) calendar day period, or if FRANCHISEE does not receive a right of first refusal due to noncompliance with the terms of this Agreement, then the COMPANY may provide, or grant to another party the right to provide, any goods and services to the Multi-Regional Account Sites. For purposes of this Section 1.E, a **"Multi-Regional Account"** means any customer of services which operates sites located in the territory of more than one (1) BUSINESS (including BUSINESSES that are owned or operated by the COMPANY).

2. **TRAINING AND GUIDANCE.**

A. **TRAINING.**

The COMPANY shall furnish to FRANCHISEE, without an additional charge, an initial training program on the operation of the BUSINESS at such time and place as the COMPANY designates. Any number of the management or supervisory personnel of FRANCHISEE's BUSINESS may attend the initial training program; provided, however, that unless the COMPANY (in its sole discretion) agrees, all personnel from FRANCHISEE's BUSINESS must attend the initial training program together. FRANCHISEE shall be responsible for all travel, living and other expenses, which such individuals incur in connection with the training program. Both FRANCHISEE (or, if FRANCHISEE is a corporation, partnership, limited liability company or other business entity, its principal owner) and any general manager that FRANCHISEE designates as having direct responsibility for the day-to-day operation of the BUSINESS must complete the initial training program to the COMPANY's satisfaction.

If during the training program the COMPANY determines, in its sole discretion, that FRANCHISEE or any representative of the BUSINESS is not qualified to operate a BUSINESS or has not satisfactorily completed the training program, the COMPANY shall have the right to either terminate this Agreement effective upon delivery of written notice to FRANCHISEE or require such individual(s) to attend the next initial training program at FRANCHISEE's expense (including the COMPANY's tuition charges and all travel and living expenses incurred by FRANCHISEE and/or such representative(s) in connection therewith). If FRANCHISEE's or a representative's performance in the additional training program is unsatisfactory, as determined in the COMPANY's sole discretion, the COMPANY shall have the right to terminate this Agreement effective upon delivery of written notice to FRANCHISEE. FRANCHISEE may not employ any person who attends and fails to satisfactorily complete the initial training program.

The COMPANY shall have the right to require that FRANCHISEE and its supervisory personnel complete supplemental and refresher training programs throughout the term of this Agreement, to be furnished at the COMPANY's then applicable charge, at designated locations. FRANCHISEE shall pay all associated travel, living and other expenses.

B. **GUIDANCE.**

The COMPANY shall furnish guidance to FRANCHISEE from time to time during the term of this Agreement in connection with the operation of its BUSINESS. Such guidance shall, in the sole discretion of the COMPANY, be furnished in the form of the COMPANY's business manual (which may consist of one or more separate manuals) for the operation of a BUSINESS (**"Business Manual"**), bulletins or other written materials, telephone conversations and/or consultation at the offices of the COMPANY or FRANCHISEE's office. Additional guidance and assistance shall be made available to FRANCHISEE at its BUSINESS location, in the sole discretion of the COMPANY, and the COMPANY reserves the right to charge reasonable fees based on time requirements as well as any fees and expenses incurred by the COMPANY in connection with such assistance.

C. **BUSINESS MANUAL.**

The COMPANY will loan to FRANCHISEE during the term of the Franchise one (1) copy of the Business Manual. The Business Manual shall contain mandatory specifications, standards and operating procedures prescribed from time to time by the COMPANY for the operation of a BUSINESS, including administrative, marketing, operating and safety procedures, as well as information relative to other obligations of FRANCHISEE hereunder (**"System Standards"**) and suggested operating procedures. The Business Manual may consist of one or more separate manuals and may be in written form or any electronic medium. The COMPANY shall have the right to add to and otherwise modify the Business Manual from time to time to reflect changes in authorized products, services and equipment, standards of product and service quality and performance, and other procedures relating to the operation of the BUSINESS, provided that no such addition or modification shall alter FRANCHISEE's fundamental status and rights under this Agreement. FRANCHISEE shall keep its copy of the Business Manual current by inserting all modified pages the COMPANY furnishes. In the event of a dispute, the master copy maintained by the COMPANY at its principal office shall be controlling. FRANCHISEE shall treat all information contained in the Business Manual as confidential and shall not, at any time, copy or otherwise reproduce any part of the Business Manual. If FRANCHISEE's copy of the Business Manual is lost, destroyed or significantly damaged, FRANCHISEE shall obtain a replacement copy at the COMPANY's then applicable charge.

At the COMPANY's option, the COMPANY may post some or all of the Business Manual on a restricted website or extranet to which FRANCHISEE will have access. If the COMPANY does so, FRANCHISEE agrees to monitor and access the website or extranet for any updates to the Business Manual or System Standards. Any passwords or other digital identifications necessary to access the Business Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 4).

D. **DELEGATION OF PERFORMANCE.**

FRANCHISEE agrees that the COMPANY has the right to delegate the performance of all or any portion of its obligations under this Agreement to third-party designees, whether these designees are the COMPANY's agents or independent contractors with whom the COMPANY has contracted to perform these obligations.

3. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS.**

FRANCHISEE acknowledges that its right to use the Marks is derived solely from this Agreement and is limited to its conduct of business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the COMPANY from time to time during the term of the Franchise, including but not limited to standards and procedures prescribed by the COMPANY with respect to FRANCHISEE's use of any Mark in connection with an electronic address, domain name, website or search engine or in any user name, screen name or profile in connection with any social networking websites (including, but not limited to, LinkedIn®, Twitter®, Facebook®, or YouTube®) (collectively, an "**Online Presence**"). Any unauthorized use of the Marks by FRANCHISEE, including but not limited to the unauthorized use by FRANCHISEE of any Mark as part of an Online Presence, shall constitute an infringement of the rights of the COMPANY and its licensor in and to the Marks. FRANCHISEE agrees that all usage of the Marks by FRANCHISEE and any goodwill established thereby shall inure to the exclusive benefit of the COMPANY and/or its licensor, and FRANCHISEE acknowledges that this Agreement does not confer any goodwill or other interest in the Marks upon FRANCHISEE (other than the right to operate the BUSINESS according to the terms and conditions of this Agreement). All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trademarks, service marks or commercial symbols the COMPANY hereafter authorizes for use by FRANCHISEE. During the term of this Agreement and thereafter, FRANCHISEE agrees not to (and to use FRANCHISEE's best efforts to cause its current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of the COMPANY, the COMPANY's affiliates, any of the COMPANY's or its affiliates' directors, officers, employees, representatives or affiliates, the SEARS® brand, the franchise system, any other SEARS® franchise, any business using the Marks, or which would subject the SEARS® brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of the COMPANY or the SEARS® brand.

B. **LIMITATIONS ON FRANCHISEE'S USE OF MARKS.**

FRANCHISEE agrees to use the Marks as the sole identification of its Franchise, provided that FRANCHISEE shall identify itself as the independent owner and operator thereof in the manner prescribed by the COMPANY. FRANCHISEE shall not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to FRANCHISEE hereunder), or in any modified form, nor may FRANCHISEE use any Mark in connection with the performance or sale of any unauthorized services or products, as part of an electronic address, domain name, website, or website search engine (unless in connection with the COMPANY's approved Sears Internet Websites), or in any Online Presence except upon the COMPANY's approval and in accordance with its guidelines set forth in the Business Manual or otherwise in writing from time to time, or in any other manner not expressly authorized in writing by the COMPANY. FRANCHISEE agrees to prominently display the Marks and only the Marks (as prescribed in Section 8.D. hereof) on each vehicle used by FRANCHISEE in connection with the operation of its BUSINESS ("**Service Vehicles**"), and on contracts, forms, equipment, uniforms and other materials authorized by the COMPANY. FRANCHISEE agrees to give such notices of trade and service mark registrations as the COMPANY specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. FRANCHISEE may not use any Mark in advertising the transfer, sale, or other disposition of the BUSINESS or an ownership interest in FRANCHISEE without the COMPANY's prior written consent.

C. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

FRANCHISEE shall immediately notify the COMPANY of any apparent infringement of or challenge to FRANCHISEE's use of any Mark, or of any person's claim of any rights in any Mark, and shall not communicate with any person other than the COMPANY and its attorneys and designees, and FRANCHISEE's attorneys, in connection with any such infringement, challenge or claim. The COMPANY (or its licensor) shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any such infringement, challenge or claim. FRANCHISEE agrees to sign such documents and render such assistance in connection therewith as the COMPANY (or its licensor) deems necessary or advisable.

D. **DISCONTINUANCE OF USE OF MARKS.**

If, in the COMPANY's or its licensor's discretion, it becomes advisable for the COMPANY and/or FRANCHISEE to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, FRANCHISEE agrees to comply with the COMPANY's directions within a reasonable time after notice thereof. The COMPANY shall reimburse FRANCHISEE for its reasonable direct expenses in modifying or discontinuing the use of a Mark and substituting therefor a different trademark or service mark; provided, however, that the COMPANY shall not be obligated to reimburse FRANCHISEE for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by FRANCHISEE to promote a modified or substitute trademark or service mark.

E. **INDEMNIFICATION FOR USE OF MARKS.**

The COMPANY shall reimburse FRANCHISEE for all damages and expenses incurred by FRANCHISEE in any trademark or similar proceeding disputing FRANCHISEE's authorized use of any Mark, provided that FRANCHISEE has timely notified the COMPANY of such proceeding and has complied with this Agreement and the COMPANY's directions in responding to such proceeding. At the COMPANY's option, the COMPANY or its designee may defend and control the defense of any proceeding arising directly or indirectly from FRANCHISEE's or any other person's use of any Mark.

F. **OWNERS BOUND.**

Unless otherwise specified, each and every one of FRANCHISEE's obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities, as set forth in this Section 3, shall also apply to each of FRANCHISEE's owners.

4. **CONFIDENTIAL INFORMATION.**

The COMPANY possesses (and may continue to develop and acquire) certain confidential information relating to the methods, techniques, formats, specifications, procedures, equipment, information, systems, sales and marketing techniques and programs, and knowledge of and experience in the development, operation and franchising of BUSINESSES; advertising, marketing and promotional programs for BUSINESSES; knowledge of, specifications for and suppliers of certain equipment, products, materials and supplies used to operate a BUSINESS; knowledge of the operating results and financial performance of BUSINESSES other than FRANCHISEE's BUSINESS; and customer lists and contracts for FRANCHISEE's and other BUSINESSES (**"Confidential Information"**). The COMPANY will disclose certain Confidential Information to FRANCHISEE in the training program, the Business Manual and in guidance furnished to FRANCHISEE during the term of this Agreement. FRANCHISEE acknowledges that the Confidential Information is proprietary and involves trade secrets of the COMPANY, and that it will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of a BUSINESS during the term of this Agreement. FRANCHISEE further acknowledges and agrees that the Confidential Information is disclosed to him only on the condition that it agrees, and it hereby does agree, to: (1) use the Confidential Information only in operating its BUSINESS and not in any other business or capacity; (2) keep all Confidential Information absolutely confidential during and after the term of this Agreement; (3) make no unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (4) adopt and implement all reasonable procedures periodically prescribed by the COMPANY to prevent unauthorized use or disclosure of Confidential Information, including without limitation, requiring all employees who will have access to Confidential Information to execute confidentiality agreements in a form periodically prescribed or approved by the COMPANY. FRANCHISEE acknowledges that any form of confidentiality agreement that the COMPANY requires FRANCHISEE to use, provides to FRANCHISEE, or regulates the terms of may or may not be enforceable in a particular jurisdiction. FRANCHISEE agrees that FRANCHISEE is solely responsible for obtaining its own professional advice with respect to the adequacy of the terms and provisions of any confidentiality agreement that FRANCHISEE's employees sign.

FRANCHISEE acknowledges and agrees that its BUSINESS customer lists and contracts are trade secrets and are derived and result from its operating the BUSINESS in accordance with this Agreement and the COMPANY's standards, specifications and operating procedures. Therefore, FRANCHISEE acknowledges and agrees that such customer lists and contracts are deemed "Confidential Information" (as defined above) and are subject to the restrictions set forth above, including, without limitation, restrictions on the use, sale or transfer of such customer lists and contracts to a third party.

All ideas, concepts, techniques or other materials relating to a BUSINESS, whether or not protectable intellectual property and whether created by or for FRANCHISEE or its employees, must be promptly disclosed to the COMPANY and will be deemed to be the COMPANY's sole and exclusive property, part of its franchise system and works made-for-hire. To the extent that any item does not qualify as a work made-for-hire, FRANCHISEE hereby assigns ownership of that item, and all related rights to that item, to the COMPANY and agrees to sign any assignments or other documents as the COMPANY reasonably requests to evidence its ownership of or to otherwise help the COMPANY obtain intellectual property rights in the item.

"Confidential Information" does not include any information, knowledge or know-how which FRANCHISEE lawfully obtained prior to its being provided to FRANCHISEE directly or indirectly by the COMPANY or any of its current, former or future affiliates (including, without limitation, pursuant to any license agreement or similar agreement between FRANCHISEE and any such party). FRANCHISEE has the burden of proving that the elements of this Section apply to any information, knowledge or know-how.

5. **EXCLUSIVE RELATIONSHIP**.

FRANCHISEE acknowledges and agrees that the COMPANY would be unable to protect the Confidential Information against unauthorized use or disclosure if franchisees of BUSINESSES were permitted to hold an interest in any Competitive Business (as defined below). FRANCHISEE therefore agrees that during the term of this Agreement, and possibly longer if conditions support the execution of a noncompete agreement (Section 13.C.(10) and Section 14.C), neither FRANCHISEE, its owner(s) nor any member of its or their immediate families shall perform services or have any direct or indirect, controlling or non-controlling interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, manager, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating in the United States (or its territories or possessions).

The term **"Competitive Business"** as used in this Agreement shall mean (i) any business offering or selling a method for the sale of services offered by a BUSINESS, or (ii) any business granting franchises or licenses to others to operate the types of businesses specified in subparagraph (i) (other than a BUSINESS operated under a franchise agreement with the COMPANY).

6. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**.

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that the COMPANY and FRANCHISEE shall be independent contractors and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. FRANCHISEE shall conspicuously identify itself in all dealings with customers, suppliers, public officials and others as the owner of its BUSINESS under a franchise with the COMPANY and shall place such other notices of independent ownership on such forms and other materials as the COMPANY may require from time to time. FRANCHISEE shall hire all employees of its BUSINESS, and FRANCHISEE is exclusively responsible for the terms and conditions of employment of FRANCHISEE's employees, including recruiting, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. FRANCHISEE agrees to manage the employment functions of its BUSINESS in compliance with federal, state, and local employment laws. FRANCHISEE's employees shall not be considered employees of the COMPANY for any reason whatsoever.

FRANCHISEE shall not employ any of the Marks in signing any contract or applying for any license or permit or in a manner that might result in the COMPANY's liability for any of FRANCHISEE's indebtedness or obligations. Except as expressly authorized by this Agreement, FRANCHISEE shall make no express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the COMPANY and the COMPANY shall not be obligated by or be liable under any agreements or representations made by FRANCHISEE that are not expressly authorized hereunder. The COMPANY shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes (other than taxes on the COMPANY's income), whether levied upon FRANCHISEE, the Franchise, FRANCHISEE's property or the COMPANY, in connection with the sales or payments made or business conducted by FRANCHISEE.

FRANCHISEE agrees to indemnify, defend, and hold harmless the COMPANY, its affiliates, and its and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of FRANCHISEE's BUSINESS, the business FRANCHISEE conducts under this Agreement, or FRANCHISEE's breach of this Agreement, including, without limitation, those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the COMPANY's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at FRANCHISEE's expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against FRANCHISEE under this Section 6. FRANCHISEE agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from FRANCHISEE under this Section 6.

7. **FEES.**

A. **INITIAL FRANCHISE FEE.**

FRANCHISEE agrees to pay to the COMPANY the initial franchise fee identified in Exhibit 1 to this Agreement upon execution of this Agreement. The initial franchise fee shall be fully earned by the COMPANY upon execution of this Agreement, is not refundable under any circumstances, and is paid to compensate the COMPANY for various services provided to FRANCHISEE prior to the date that FRANCHISEE begins operating the BUSINESS ("**Opening Date**") including, but not limited to, furnishing initial training and providing standards, specifications and operating procedures for the BUSINESS.

B. **ROYALTY FEES.**

(1) **DEFINITIONS.**

The term "**Gross Revenue**" shall mean all revenue derived from operating the BUSINESS, whether from cash, check, credit or debit card, trade credit or other credit transactions less all federal, state or municipal sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authorities, and customer returns, allowances and credit adjustments.

(2) **ROYALTY.**

FRANCHISEE agrees to pay a royalty fee (the "**Royalty**") to the COMPANY during the term of this Agreement equal to six percent (6%) of the Gross Revenue derived from products sold and services provided by FRANCHISEE's BUSINESS during a Reporting Period (as defined below).

(3) **MINIMUM QUARTERLY ROYALTY.**

FRANCHISEE agrees to pay the COMPANY a minimum amount of Royalties during each fiscal quarter (as measured beginning on the Sunday closest to February 1) during the term of this Agreement (the "**Minimum Quarterly Royalty**") in the following amounts:

(a) For the first year after FRANCHISEE signs this Agreement, the Minimum Quarterly Royalty will be three thousand dollars ($3,000) per fiscal quarter;

(b) For the second year after FRANCHISEE signs this Agreement, the Minimum Quarterly Royalty will be four thousand five hundred dollars ($4,500) per fiscal quarter;

(c) For the third year after FRANCHISEE signs this Agreement, the Minimum Quarterly Royalty will be six thousand dollars ($6,000) per fiscal quarter; and

(d) For the fourth year after FRANCHISEE signs this Agreement through the end of the term of this Agreement, the Minimum Quarterly Royalty will be seven thousand five dollars ($7,500) per fiscal quarter;

If FRANCHISEE fails to pay the COMPANY the required Minimum Quarterly Royalty during a given fiscal quarter, then FRANCHISEE must pay the COMPANY the difference between the amount of Royalties FRANCHISEE actually paid the COMPANY during the applicable fiscal quarter and the Minimum Quarterly Royalty (the "**Shortfall Amount**") within 30 days after the end of the applicable fiscal quarter.

(4) **REPORTING AND PAYMENT OF FEES.**

FRANCHISEE shall, once every calendar day (or such other period of time as the COMPANY may specify from time to time), transmit to the COMPANY via the Computer System (as defined in Section 8.I.), Gross Revenue information for the preceding calendar day (the "**Reporting Period**") and all information necessary for the calculation of Gross Revenue, including, without limitation, all cash and credit card transactions, sales tax information applicable to such transactions, and information regarding customer returns, allowances and credit adjustments required by the COMPANY (referred to herein collectively as the "**Customer Sales Information**"). Notwithstanding the foregoing, FRANCHISEE acknowledges and agrees that the COMPANY may, from time to time and in its sole discretion, change the Reporting Period upon thirty (30) days written notice to FRANCHISEE.

In order to transmit the Customer Sales Information, FRANCHISEE agrees to (1) purchase Electronic Data Interchange (**"EDI"**) software acceptable to the COMPANY that will enable FRANCHISEE to transmit such information to the COMPANY, or (2) pay for a third-party EDI service provider acceptable to the COMPANY to transmit such information to the COMPANY. The COMPANY may, from time to time and in its sole discretion, change the methods of transmission prescribed or provide additional options for FRANCHISEE to transmit the Customer Sales Information, including, without limitation, transmission via the internet.

(5) **PAYMENT.**

The COMPANY and FRANCHISEE shall make a settlement on the calendar day immediately following the Reporting Period (or such other scheduled date as the COMPANY may specify from time to time) (the **"Settlement Date"**) in the following manner:

(i) On a Settlement Date, if: (a) the Gross Credit Card Revenue (defined in Section 8.J) during the preceding Reporting Period exceeds (b) the Royalty owed for such Reporting Period plus any Additional Amounts Owed (as defined below) as of the end of such Reporting Period, then the COMPANY will remit to FRANCHISEE the positive difference between (a) and (b) above via electronic funds transfer to a bank account designated by FRANCHISEE in writing.

(ii) On a Settlement Date, if: (a) the Royalty owed for the preceding Reporting Period plus any Additional Amounts Owed as of the end of such Reporting Period exceeds (b) the Gross Credit Card Revenue during such Reporting Period, then the amount of the difference between (a) and (b) above will be deemed to be Additional Amounts Owed for purposes of the next Reporting Period.

(iii) On the last Settlement Date of each calendar month, if: (a) the Royalty owed for the preceding Reporting Period plus any Additional Amounts Owed as of the end of such Reporting Period exceeds (b) the Gross Credit Card Revenue during such Reporting Period, then the COMPANY will, within ten (10) days, at FRANCHISEE's option, either (i) charge the amount owing to a business credit card FRANCHISEE designates by signing a **"credit card authorization form"** or (ii) deduct the amount owing by electronic funds transfer from the bank account FRANCHISEE designates by signing a **"electronic debit authorization form."** It is FRANCHISEE's responsibility to keep this information updated with the COMPANY's accounting department.

(iv) For purposes of this Agreement, **"Additional Amounts Owed"** means any invoiced expenses incurred by the COMPANY on FRANCHISEE's behalf which are still outstanding, along with any other amounts that FRANCHISEE then owes to the COMPANY (including, without limitation, amounts owed for goods or services provided by the COMPANY to FRANCHISEE, any required advertising contributions owed by FRANCHISEE for the National Marketing Fund under Section 9.A, software support fees, and the Shortfall Amount). The COMPANY has the right to demand payment of these amounts from FRANCHISEE via electronic funds transfer or company check at any time. Notwithstanding the foregoing, the COMPANY will make all other appropriate additions and/or deductions to FRANCHISEE's then current "Additional Amounts Owed" which accrued during the preceding Reporting Period, such as for chargebacks, customer returns, customer allowances, credit adjustments and charges for invalid credit transactions generated from a Credit Product during the preceding Reporting Period.

C. **INTEREST ON LATE PAYMENTS**.

All royalty fees, advertising contributions, amounts due for purchases by FRANCHISEE from the COMPANY, and other amounts which FRANCHISEE owes to the COMPANY and which the COMPANY has requested FRANCHISEE to pay by company check or electronic funds transfer in a written notice delivered to FRANCHISEE (**"Payment Notice"**), shall bear interest after the due date stated in a Payment Notice at the highest applicable legal rate for open account business credit in the state of FRANCHISEE's domicile, not to exceed one and one-half percent (1.5%) per month. FRANCHISEE acknowledges that this Section 7.C shall not constitute the COMPANY's agreement to accept such payments after they are due or a commitment by the COMPANY to extend credit to or otherwise finance FRANCHISEE's BUSINESS. Further, FRANCHISEE acknowledges that its failure to pay all amounts when required under this Agreement shall constitute grounds for termination of this Agreement.

D. **APPLICATION OF PAYMENTS**.

Notwithstanding any designation by FRANCHISEE, the COMPANY shall have sole discretion to apply any payments by FRANCHISEE to any past due indebtedness for royalty fees, advertising contributions, purchases from the COMPANY or its affiliates, interest or any other indebtedness.

8. **FRANCHISE IMAGE AND OPERATING PROCEDURES**.

A. **AUTHORIZED PRODUCTS AND SERVICES**.

The reputation and goodwill of the COMPANY is based upon, and can be maintained and enhanced only by the furnishing of high-quality services and products to customers of BUSINESSES. FRANCHISEE therefore agrees that it will offer all products and services that the COMPANY shall require for the BUSINESS. FRANCHISEE agrees that it will not, without the prior written approval of the COMPANY, offer or sell any type of service or offer, sell or use any product in the BUSINESS that is not authorized by the COMPANY for the BUSINESS.

B. **SPECIFICATIONS, STANDARDS AND PROCEDURES**.

FRANCHISEE agrees to cooperate with the COMPANY by maintaining high standards in all aspects of the operation of its BUSINESS. FRANCHISEE shall comply with all System Standards, as set forth in the COMPANY's "Satisfaction Guaranteed" policy, the Business Manual and other written or electronic communications to FRANCHISEE, including, without limitation, required hours of operation, required response times, condition and appearance of the BUSINESS location or office and the appropriate applications for all services and products. All references to this Agreement include all System Standards as the COMPANY may modify them. The COMPANY's periodic modification of System Standards, which may accommodate regional or local variations, may obligate FRANCHISEE to invest additional capital in the BUSINESS and incur higher operating costs. FRANCHISEE further acknowledges and agrees that the COMPANY may, from time to time, request details of FRANCHISEE's specifications, standards of quality and performance and operating procedures, and FRANCHISEE shall promptly provide the COMPANY with such details.

C. **APPROVED PRODUCTS AND SUPPLIERS**.

All products, equipment, inventory, supplies and other materials used in FRANCHISEE's BUSINESS shall comply with the COMPANY's specifications and quality standards and, if required by the COMPANY, shall be purchased only from suppliers that the COMPANY designates or approves (which might include or be limited to the COMPANY or its affiliates). The COMPANY shall provide FRANCHISEE, in the Business Manual or other written or electronic form, with a list of the authorized products, equipment, inventory, maintenance supplies and other materials and, if required, a list of designated or approved suppliers for some or all of these items, and shall from time to time issue revisions thereto. Upon the COMPANY's request, or if FRANCHISEE desires to use any item or service in operating the BUSINESS that the COMPANY has not authorized or buy or lease an item or service from a supplier that the COMPANY has not approved (for items or services that require supplier approval), FRANCHISEE shall first send the COMPANY sufficient information, specifications and/or samples for the COMPANY to determine whether the item or service complies with its standards and specifications or the supplier meets its approved supplier criteria. The COMPANY may charge the supplier a reasonable testing fee and will decide within a reasonable time after receiving the required information whether FRANCHISEE may purchase or lease such items or services or from such supplier.

The COMPANY may approve a single distributor or other supplier for any item or service and may approve a distributor or other supplier only as to certain items or services. The COMPANY may concentrate purchases with one or more distributors or suppliers to obtain lower prices and/or the best advertising support or other services for BUSINESSES and the COMPANY's franchise system. Approval of a distributor or other supplier may be conditioned on requirements relating to the frequency of delivery, standards of service (including prompt attention to complaints or other criteria), financial capability, customer relations and/or concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such distributor or other supplier by the COMPANY. The COMPANY or any of its affiliates may be a supplier, distributor, or otherwise party to these transactions, and may derive revenue or profit from such transactions, including, but not limited to, rebates. The COMPANY and/or any of its affiliates may use such revenue or profit without restriction.

Notwithstanding anything contrary in this Agreement, the COMPANY reserves the right to review from time to time its approval of any items or suppliers. FRANCHISEE acknowledges and agrees that the COMPANY may revoke its approval of any item, service or supplier at any time and in its sole discretion by notifying FRANCHISEE and/or the supplier. FRANCHISEE agrees, at its own expense, to promptly cease using, selling or providing any items or services disapproved by the COMPANY and to promptly cease purchasing from suppliers which the COMPANY disapproves. FRANCHISEE shall be free to dispose of any such disapproved item in any commercially reasonable manner; provided, however, that FRANCHISEE may dispose of any such disapproved item by sale through FRANCHISEE's BUSINESS only if such item had been approved previously by the COMPANY and if doing so does not, in the opinion of the COMPANY, adversely affect the image or reputation of BUSINESSES or the goodwill of the Marks.

D. **CONDITION AND APPEARANCE OF <u>SERVICE VEHICLES AND EQUIPMENT</u>.**

FRANCHISEE agrees to purchase or lease the number of Service Vehicles designated by the COMPANY from time to time during the term of this Agreement, which are suitable for the purpose of transporting various equipment, supplies and materials needed to operate a BUSINESS and which otherwise meet the COMPANY's specifications. FRANCHISEE agrees: (1) to maintain the condition and appearance of the Service Vehicles and equipment consistent with the image of the BUSINESS as a professionally operated service business and otherwise according to the COMPANY's standards and specifications; (2) at the request of the COMPANY to refurbish or replace any Service Vehicles or equipment used in the operation of the BUSINESS that the COMPANY, in its sole discretion, determines does not meet its then-current standards and specifications; (3) that the Service Vehicles and equipment used to operate the BUSINESS shall not, without the prior written consent of the COMPANY, be used for any purpose other than the operation of its BUSINESS as described herein; (4) to place or display on the Service Vehicles and equipment in the position(s) designated by the COMPANY only such signs, decals, lettering and logos as are approved by the COMPANY, and no others; and (5) not to sell or otherwise transfer any of the Service Vehicles (other than to the COMPANY) without first removing all of the Marks from the Service Vehicles.

E. **<u>SATISFACTION GUARANTEED</u>.**

FRANCHISEE acknowledges and agrees that all services and products provided or sold by FRANCHISEE in connection with FRANCHISEE's BUSINESS shall be consistently of high quality and in compliance with Section 8.B. FRANCHISEE shall at all times abide by customer satisfaction policies developed by the COMPANY for BUSINESSES, including, but not limited to the COMPANY's "Satisfaction Guaranteed" policy. The "Satisfaction Guaranteed" policy governs customer satisfaction requirements that all franchisees must abide by and may include such topics as, but not limited to, deadlines by which franchisees must respond to and service customers and processes to follow when resolving customer complaints, and FRANCHISEE agrees to abide by such "Satisfaction Guaranteed" policy requirements as modified from time to time.

FRANCHISEE shall adjust all complaints and controversies with respect to sales made under this Agreement in a timely manner. In the event that any such adjustment is unsatisfactory to the customer, the COMPANY reserves and shall have the right, at FRANCHISEE's expense, to make any further adjustments that the COMPANY, in its sole discretion, may deem necessary under the circumstances. Such adjustment made by the COMPANY, even when in excess of the sale price of the service or product in question, shall be conclusive and binding upon FRANCHISEE, and such adjustment may include, but is not limited to COMPANY or its designee, notwithstanding FRANCHISEE's territorial rights set forth in Section 1.D, entering the Territory and providing services on FRANCHISEE's behalf and at FRANCHISEE's expense in order to resolve a customer's complaint to the customer's satisfaction. FRANCHISEE shall maintain as designated by the COMPANY and make available to the COMPANY files pertaining to customer complaints and their adjustment. On a monthly basis, according to the COMPANY's prescribed procedures, FRANCHISEE shall notify the COMPANY of all customer complaints lodged with FRANCHISEE which have not been resolved to the customer's satisfaction within the preceding thirty (30) day period. Pursuant to the COMPANY's "Satisfaction Guaranteed" policy, the COMPANY shall have the right (but not the obligation) to review with the customer any complaints or concerns. The COMPANY, in its sole discretion, shall determine if any corrective action is appropriate. Such determination shall be conclusive and binding upon FRANCHISEE.

F. **PRICING.**

The COMPANY may periodically set a maximum or minimum price that FRANCHISEE may charge for products and services offered by FRANCHISEE's BUSINESS. If the COMPANY imposes a maximum price for any product or service, FRANCHISEE may not charge more for the product or service than the maximum price the COMPANY imposes. If the COMPANY imposes a minimum price for any product or service, FRANCHISEE may not charge less for such product or service than the minimum price the COMPANY imposes. For any product or service for which the COMPANY does not impose a maximum or minimum price, the COMPANY may require FRANCHISEE to comply with an advertising policy adopted by the COMPANY which will prohibit FRANCHISEE from advertising any price for a product or service that is different than the COMPANY's suggested retail price. Although FRANCHISEE must comply with any advertising policy the COMPANY adopts, FRANCHISEE will not be prohibited from selling any product or service at a price above or below the suggested retail price unless the COMPANY imposes a maximum price or minimum price for such product or service.

G. **COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.**

FRANCHISEE shall secure and maintain in force in its name all licenses, permits and certificates relating to the operation of its BUSINESS which are required under any applicable federal, state or local law, ordinance, rule or regulation. FRANCHISEE shall operate its BUSINESS in full compliance with all applicable laws, ordinances, rules and regulations, including, without limitation, all government regulations relating to environmental protection, advertising and marketing, occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal, state and local income, social security, sales and other taxes. FRANCHISEE shall notify the COMPANY immediately if: (1) it or its BUSINESS is investigated or the subject of any complaint or inquiry by any federal, state or local agency or regulator; (2) any license is suspended or revoked or expires; (3) any federal, state or local agency or regulator takes any action which prevents FRANCHISEE from conducting business under this Agreement in full compliance with the terms and conditions herein; or (4) any person, entity or governmental agency or regulator files a lawsuit against FRANCHISEE or the BUSINESS. FRANCHISEE shall, in all dealings with its customers, suppliers, the COMPANY and the public, adhere to the highest standards of honesty, integrity, fair dealing, ethical conduct and the Sears Code of Business Conduct as set forth in the Business Manual. FRANCHISEE agrees to refrain from any business or advertising practice, which may be injurious to the business of the COMPANY and the goodwill associated with the Marks and BUSINESSES.

H. **INSURANCE**.

FRANCHISEE shall at all times during the term of this Agreement maintain in force at its sole expense comprehensive public, product and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of FRANCHISEE's BUSINESS and workers' compensation and other insurance required by law. Such insurance coverage shall be maintained under one or more policies of insurance issued by insurance carriers rated A- or better by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria designated by the COMPANY) with a minimum financial size category of VII and shall contain minimum liability protection in such amounts as are specified by the COMPANY from time to time. All liability insurance policies required hereunder shall name the COMPANY (and its officers, directors, employees and designated affiliates) as additional insureds and shall provide that the COMPANY receives thirty (30) days' prior written notice of the termination, expiration or cancellation of any such policy. The COMPANY may increase the minimum liability protection requirements as of the renewal date of any policy by providing sixty (60) days' written notice to FRANCHISEE, and may require different or additional kinds of insurance at any time, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, product or motor vehicle liability litigation or other relevant changes in circumstances. In addition to the insurance requirements above, FRANCHISEE and its employees shall at all times be appropriately licensed and bonded to provide the services of the BUSINESS. FRANCHISEE shall furnish annually to the COMPANY a copy of the certificate or other evidence of each such insurance policy and the payment of premiums.

I. **COMPUTER SYSTEM**.

(1) **ACQUISITION BY FRANCHISEE**.

Prior to beginning operation of its BUSINESS, FRANCHISEE agrees to acquire any and all computer hardware, point-of-sale system, peripheral equipment and accessories prescribed by the COMPANY, and purchase and install any and all software prescribed by the COMPANY (such equipment and software is collectively called the

"**Computer System**"). All components of the Computer System must conform to the COMPANY's standards and specifications and, if required, must be acquired only from suppliers that the COMPANY designates or approves, as described in Section 8.C. above. FRANCHISEE shall be responsible for all costs associated with acquiring and operating the Computer System, including, without limitation, paying any fees the COMPANY periodically designates for computer software support and other computer-related services provided by or through the COMPANY.

(2) **<u>MODIFICATIONS, ENHANCEMENTS, AND UPGRADES OF COMPUTER SYSTEM</u>.**

FRANCHISEE acknowledges that the COMPANY may, during the term of this Agreement, require FRANCHISEE to modify, enhance and/or upgrade all or any part of the Computer System at FRANCHISEE's own expense. FRANCHISEE agrees to comply with any such requirement (including, without limitation, taking any and all actions necessary to enable FRANCHISEE's Computer System to operate as prescribed by the COMPANY) within sixty (60) days of receipt of notice thereof from the COMPANY. FRANCHISEE acknowledges that any such modifications, enhancements or upgrades may require FRANCHISEE to incur costs to purchase, lease or license new or modified computer hardware, software or other equipment and to obtain different or additional support services during the term of this Agreement. FRANCHISEE further acknowledges that the COMPANY cannot estimate the costs of such future enhancements, modifications and upgrades and that such costs may not be fully amortizable over the remaining term of the Agreement. Nonetheless, FRANCHISEE agrees to incur such costs, when directed by the COMPANY to do so.

(3) **<u>OPERATION OF COMPUTER SYSTEM</u>.**

Notwithstanding the fact that FRANCHISEE must buy, use and maintain the Computer System under the COMPANY's standards and specifications and except as otherwise set forth herein, FRANCHISEE will have sole and complete responsibility for: (1) the acquisition, operation, maintenance and upgrading of the Computer System, (2) the manner in which FRANCHISEE's Computer System interfaces with the COMPANY's computer system and those of other third parties; and (3) any and all consequences that may arise if the Computer System is not properly operated, maintained and upgraded.

J. **<u>GROSS REVENUE FROM CREDIT PRODUCTS</u>**

FRANCHISEE acknowledges and agrees that any Gross Revenue generated from credit card, debit card or other credit transactions (a "**Credit Product**") through the Computer System (the "**Gross Credit Card Revenue**") will be remitted directly to the COMPANY and not to FRANCHISEE. The COMPANY will remit Gross Credit Card Revenue to FRANCHISEE in accordance with Section 7.B after offsetting the amount of any royalty fees, National Marketing Fund (defined in Section 9.A below) contributions, or other amounts owed by FRANCHISEE to COMPANY.

K. **INFORMATION SECURITY**

FRANCHISEE must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, government-issued identification numbers and credit-report information (**"Personal Information"**) in accordance with applicable law and industry best practices. It is entirely FRANCHISEE's responsibility (even if the COMPANY provides FRANCHISEE with any assistance or guidance in that regard) to confirm that the safeguards FRANCHISEE uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If FRANCHISEE becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, FRANCHISEE will notify the COMPANY immediately and specify the extent to which Personal Information was compromised or disclosed.

9. **MARKETING AND PROMOTION.**

A. **NATIONAL MARKETING AND PROMOTIONAL FUND.**

Recognizing the value of marketing and promotion to the goodwill and public image of BUSINESSES and the COMPANY's franchise system, the COMPANY has established and administers a national marketing and promotional fund (**"National Marketing Fund"**) for national and regional advertising, marketing and promotional programs. FRANCHISEE shall contribute to the National Marketing Fund an amount specified by the COMPANY, payable daily together with the royalty fees in accordance with the provisions of Section 7.B. The amount of such contribution shall be specified by the COMPANY, but shall in no event exceed two percent (2%) of the Gross Revenue of FRANCHISEE's BUSINESS. Any BUSINESSES owned and operated by the COMPANY will contribute to the National Marketing Fund on the same basis as franchisees. The COMPANY shall provide FRANCHISEE with at least ninety (90) days advance notice of when contributions will be required to be made to the National Marketing Fund and the amount of the contribution.

The COMPANY shall direct all programs that the National Marketing Fund finances, with sole discretion over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. The National Marketing Fund may pay for maintaining, administering, directing and/or preparing national, regional and multi-regional advertising, marketing and promotional materials; research programs and public relations activities, including, without limitation, maintaining Sears Internet Websites; purchasing direct mail and other media advertising; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); using advertising or marketing agencies; and developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices. The National Marketing Fund shall not be used for advertising that principally is a solicitation for the sale of franchises. The COMPANY shall account for the National Marketing Fund separately from its other funds and shall not use the National Marketing Fund to defray any of the COMPANY's general business expenses, except for such reasonable administrative costs and overhead as the COMPANY may incur in activities reasonably related to the administration or direction of the National Marketing Fund and its advertising, marketing and promotional programs, including, without limitation, conducting market research, preparing advertising, marketing and promotional materials and accounting for National Marketing Fund contributions. The COMPANY has the right, but not the obligation, to use collection agents and institute legal proceedings to collect contributions at the National Marketing Fund's expense. The COMPANY may, in its sole discretion, forgive, waive, settle and compromise all claims by or against the National Marketing Fund.

The National Marketing Fund may spend in any fiscal year an amount greater or less than the aggregate contributions of BUSINESSES in that year, and may borrow from the COMPANY or other lenders (with reasonable interest) to cover any deficits or invest any surplus for future use. An unaudited report of monies collected and costs incurred by the National Marketing Fund shall be prepared annually by the COMPANY and shall be made available for inspection by FRANCHISEE upon request. The National Marketing Fund is not a trust, and the COMPANY assumes no fiduciary duty to FRANCHISEE for administering the National Marketing Fund or for any other reason. The COMPANY may have the financial statements of the National Marketing Fund audited, and the National Marketing Fund shall pay any costs in connection with an audit.

FRANCHISEE understands and acknowledges that the National Marketing Fund is intended to maximize general public recognition and patronage of BUSINESSES and the Marks for the benefit of all BUSINESSES. The COMPANY undertakes no obligation to ensure that expenditures by the National Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions by BUSINESSES in that area or that any BUSINESS will benefit directly or in proportion to its contribution to the National Marketing Fund from the conduct of marketing programs or the placement of advertising.

The COMPANY may at any time defer or reduce contributions of any franchised BUSINESS and, upon thirty (30) days' written notice to FRANCHISEE, reduce or suspend National Marketing Fund contributions and/or operations for one or more periods of any length and terminate (and, if terminated, reinstate) the National Marketing Fund. If the COMPANY terminates the National Marketing Fund, it will (at its option) either spend the remaining National Marketing Fund assets in accordance with this Section 9.A or distribute the unspent assets to contributors (including the COMPANY and its affiliates, if applicable) then contributing to the National Marketing Fund in proportion to their contributions during the preceding twelve (12) month period.

B. **<u>REGIONAL OR LOCAL ADVERTISING COOPERATIVE</u>**.

The COMPANY reserves the right to form, and upon thirty (30) days' prior written notice FRANCHISEE agrees to contribute to, a local or regional advertising and marketing cooperative (**"Advertising Cooperative"**) compromised of all BUSINESSES operating within a geographic area specified by the COMPANY. Each Advertising Cooperative will be organized and governed in a form and manner, and begin business on the date, that the COMPANY prescribes. The Advertising Cooperative shall develop and administer advertising, marketing and promotional materials for the area that it covers, but all materials must be submitted to the

COMPANY for its prior approval in accordance with the provisions of Section 9.C below. FRANCHISEE agrees to sign any documents that the COMPANY requires to become a member of the Advertising Cooperative and to participate in and contribute to the Advertising Cooperative as those documents require; provided, however, that FRANCHISEE shall not be required to contribute to more than one (1) Advertising Cooperative for the Franchise described in this Agreement. Each member (including, if it owns or operates a BUSINESS within the Advertising Cooperative's area, the COMPANY) will have one (1) vote in determining which programs the Advertising Cooperative runs, regardless of how many BUSINESSES that member operates within the Advertising Cooperative's area. The COMPANY may (but need not) cast a tie-breaking vote in any decision. Each member shall contribute the same proportionate share toward the Advertising Cooperative's programs, as determined by the Advertising Cooperative's governing documents.

C. **<u>RESTRICTIONS ON USE OF ADVERTISING</u>**.

Samples of all advertising, marketing or promotional materials neither prepared nor previously approved by the COMPANY shall be submitted to the COMPANY for approval prior to use. FRANCHISEE shall not use any advertising, marketing or promotional materials that the COMPANY has not prepared or approved.

Without limiting the generality of the foregoing, in no event may FRANCHISEE transmit a Marketing Email (defined below) to any third party or group of third parties (including but not limited to an email subscriber list or a segment of such email subscriber list) without the COMPANY's prior written approval, which the COMPANY may withhold in its discretion. "**Marketing Email**" includes, but is not limited to, any email, e-newsletter, digest email, or other electronic message advertising, marketing, or promoting FRANCHISEE's BUSINESS whether sent via bulk email, email blast, commercial email, or any other method of electronic transmission.

D. **<u>MINIMUM LOCAL ADVERTISING SPENDING REQUIREMENT</u>**.

Each fiscal quarter (as measured beginning on the Sunday closest to February 1) FRANCHISEE agrees to spend at least ten thousand dollars ($10,000) for local or regional advertising, marketing and promotion for its BUSINESS (**"Minimum Local Advertising Spending Requirement"**). Amounts that FRANCHISEE contributes to its Advertising Cooperative pursuant to Section 9.B hereof, as well as any amounts that FRANCHISEE spends on its own accord to advertise and promote its BUSINESS, are credited toward FRANCHISEE's Minimum Local Advertising Spending Requirement; provided, however, that contributions to the National Marketing Fund shall not be credited toward this requirement. FRANCHISEE acknowledges and agrees that its contributions to an Advertising Cooperative pursuant to Section 9.B hereof, could, by themselves and without FRANCHISEE's spending additional amounts on its own accord to advertise and promote its BUSINESS, exceed the Minimum Local Advertising Spending Requirement.

As part of the Minimum Local Advertising Spending Requirement, FRANCHISEE must list its BUSINESS with the online directories and subscriptions the COMPANY periodically prescribes (such as Yelp® and Google®), and/or establish any other Online Presence the

COMPANY requires or authorizes. FRANCHISEE must comply with all of the COMPANY's System Standards for its local advertising, including its Online Presences.

E. **FRANCHISE SYSTEM WEBSITE**.

The COMPANY may establish one or more websites to advertise, market, and promote the BUSINESSES, the products and services that they offer and sell, BUSINESS franchise opportunities, and other home products and services and related franchise opportunities (the "**Sears Internet Websites**"). The COMPANY may, but is not obligated to, provide FRANCHISEE with a webpage on a Sears Internet Website that references FRANCHISEE's BUSINESS. If the COMPANY provides FRANCHISEE with a webpage on a Sears Internet Website, FRANCHISEE must: (i) provide the COMPANY the information and materials the COMPANY requests to develop, update, and modify FRANCHISEE's webpage; (ii) notify the COMPANY whenever any information on FRANCHISEE's webpage is not accurate; (iii) if the COMPANY gives FRANCHISEE the right to modify FRANCHISEE's webpage, notify the COMPANY whenever FRANCHISEE changes the context of FRANCHISEE's webpage; and (iv) pay the COMPANY's then-current initial fee and monthly maintenance fee for the webpage. The COMPANY will own all intellectual property and other rights in the Sears Internet Websites, including FRANCHISEE's webpage, and all information they contain (including, without limitation, the domain name or URL for FRANCHISEE's webpage, the log of "hits" by visitors, and any personal or business data that visitors supply).

The COMPANY will maintain the Sears Internet Websites and may use the National Marketing Fund's assets to develop, maintain, and update the Sears Internet Websites. The COMPANY periodically may update and modify the Sears Internet Websites (including FRANCHISEE's webpage). FRANCHISEE acknowledges that the COMPANY has final approval rights over all information on the Sears Internet Websites (including FRANCHISEE's webpage). The COMPANY may implement and periodically modify System Standards relating to the Sears Internet Websites. FRANCHISEE further acknowledges that the COMPANY has no obligation to continue to maintain any Sears Internet Website and may, at any time, cease operating any Sears Internet Website and take any action as may be required to disable a Sears Internet Website.

Even if the COMPANY provides FRANCHISEE a webpage on a Sears Internet Website, the COMPANY will only maintain such webpage while FRANCHISEE is in full compliance with this Agreement and all System Standards the COMPANY implements (including, without limitation, those relating to the Sears Internet Websites). If FRANCHISEE is in default of any obligation under this Agreement or the COMPANY's System Standards, then the COMPANY may, in addition to the COMPANY's other remedies, temporarily remove FRANCHISEE's webpage from the Sears Internet Website until FRANCHISEE fully cures the default. The COMPANY will permanently remove FRANCHISEE's webpage from the Sears Internet Website upon this Agreement's expiration or termination.

All advertising, marketing, and promotional materials that FRANCHISEE develops for the BUSINESS must contain notices of the Sears Internet Websites' domain names in the manner the COMPANY designates.

Except as provided above, or as approved by the COMPANY in writing, FRANCHISEE may not develop, maintain or authorize any website (other than a Sears Internet Website) or other Online Presence that mentions the BUSINESS, links to the Sears Internet Websites or displays any of the Marks. If the COMPANY approves the use of any such websites or other Online Presences in the operation of the BUSINESS, or the posting of messages relating to the BUSINESS on other websites, FRANCHISEE will do so only in accordance with the COMPANY's guidelines. The COMPANY reserves the right to require its approval of any message FRANCHISEE composes for an Online Presence before FRANCHISEE posts such message or commentary. The COMPANY will own the rights to each such Online Presence. At the COMPANY's request, FRANCHISEE agrees to grant the COMPANY access to each such Online Presence, and to take whatever action (including signing assignment or other documents) the COMPANY requests to evidence the COMPANY's ownership of such Online Presence, or to help the COMPANY obtain exclusive rights in such Online Presence.

10. **TELEPHONE NUMBERS AND LINES.**

All telephone numbers used in connection with the BUSINESS shall be used only to operate the BUSINESS and shall be separate from all other telephone numbers used by FRANCHISEE. FRANCHISEE must obtain and maintain, at its own expense, the number of telephone numbers and telephone lines for its BUSINESS that the COMPANY periodically prescribes. Upon any transfer pursuant to Section 13 hereof or any termination or expiration (without renewal) of this Agreement, FRANCHISEE acknowledges and agrees that FRANCHISEE relinquishes its right to such telephone numbers and the COMPANY or its transferee shall become the sole owner of the telephone numbers. FRANCHISEE agrees to maintain such telephone numbers, at its expense, until the COMPANY directs FRANCHISEE to assign the telephone numbers to the COMPANY or its transferee.

11. **RECORDS AND REPORTING.**

A. **ACCOUNTING AND RECORDS.**

FRANCHISEE agrees, at its expense, to maintain and preserve for at least three (3) years from the date of their preparation, or such greater period as may be required by the Business Manual or applicable law, full, complete and accurate books, records and accounts for its BUSINESS including, without limitation, copies of all customer contracts and lists, Sears Customer Credit Applications for deferred interest transactions, employee records, sales, invoices, cash receipts, service records, purchase records, accounts payable, cash disbursement records, inventory records, general ledgers, itemized bank deposit slips and bank statements, copies of sales tax returns, and copies of FRANCHISEE's state and federal income tax returns. FRANCHISEE further agrees that such records shall be prepared and maintained on forms prescribed from time to time by the COMPANY.

B. **REPORTING REQUIREMENTS.**

FRANCHISEE, at its expense, shall furnish to the COMPANY (and its agents) for inspection, audit and copying such forms, reports, records, financial statements and other information relating to its BUSINESS as the COMPANY may require from time to time, including, without limitation, electronically transmitting detailed information relating to the transactions performed by its BUSINESS on a schedule prescribed by the COMPANY. FRANCHISEE hereby grants the COMPANY independent, unlimited daily access to any information requested by the COMPANY about the BUSINESS contained in FRANCHISEE's Computer System. FRANCHISEE shall prepare and furnish to the COMPANY:

(1) within one hundred five (105) days after the end of each fiscal year of its BUSINESS, on such forms as are prescribed by the COMPANY from time to time, an annual statement of profit and loss for FRANCHISEE's BUSINESS for the fiscal year, a balance sheet as of the end of the fiscal year and a cash flow projection for the following year which statements, if required by the COMPANY, must be audited;

(2) within fifteen (15) days after the end of each calendar month, a balance sheet and profit-and-loss statement for FRANCHISEE covering the month just ended and the year-to-date.

Each such report shall be signed and verified by FRANCHISEE in the manner prescribed by the COMPANY. FRANCHISEE acknowledges and agrees that the COMPANY may disclose data derived from any of these reports in any manner or form, but shall not publicly disclose FRANCHISEE's identity in connection with such data without the prior written consent of FRANCHISEE.

12. **INSPECTIONS AND AUDITS.**

To determine whether FRANCHISEE is complying with this Agreement and all applicable standards, specifications and business procedures, the COMPANY (and/or its licensor) shall have the right at any reasonable time and without prior notice to FRANCHISEE to: (a) inspect and test FRANCHISEE's equipment, Service Vehicle(s), and other supplies and items used in the operation of the BUSINESS; (b) inspect FRANCHISEE's place of business, office, garage and warehouse; (c) observe FRANCHISEE and all employees in the performance of services; (d) inspect any job performed by FRANCISEE; (e) contact and interview customers of FRANCHISEE; and (f) have representatives or other parties pose as customers of the BUSINESS or "mystery shoppers." The COMPANY (and/or its licensor) shall have the further right at any time during business hours, and with at least three (3) days' prior notice to FRANCHISEE, to inspect and audit, or cause to be inspected or audited, and to make copies of the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of FRANCHISEE's BUSINESS, and the books and records of any corporation, partnership, limited liability company or other business entity which holds the Franchise. FRANCHISEE shall fully cooperate with representatives of the COMPANY (and/or its licensor) and independent accountants or other persons engaged to conduct any such inspection or audit. If FRANCHISEE fails to provide any such books, records and other materials requested at such inspection/audit in the format prescribed by the COMPANY, then FRANCHISEE shall pay the COMPANY Five Hundred Dollars ($500.00) for each day any such requested books, records and other materials are not available to the COMPANY (and/or its licensor) as compensation for such delay, plus the COMPANY's (and/or its licensor's or representatives') reasonable expenses incurred in connection with such delay. If any such inspection or audit discloses an understatement of the reported Gross Revenue of

FRANCHISEE's BUSINESS, FRANCHISEE shall pay to the COMPANY, within fifteen (15) days after receipt of the inspection or audit report, the royalty fees, advertising contributions and any other payments due on the amount of such understatement, plus interest (at the rate and on the terms provided in Section 7.C. hereof) from the date originally due until the date of payment. Further, if such inspection or audit is made necessary by FRANCHISEE's failure to timely furnish reports, supporting records or other information as herein required, or if an understatement of Gross Revenue for the period of any inspection or audit (which for these purposes shall not be for less than two (2) months) is determined by any such inspection or audit to be greater than two percent (2%) of the amount reported, and FRANCHISEE is unable to demonstrate that such understatement resulted from inadvertent error, then FRANCHISEE shall reimburse the COMPANY for the cost of such inspection or audit, including, without limitation, the charges of any independent accountants and other professionals and the travel expenses, room and board and compensation of employees of the COMPANY (and/or its licensor or representatives). The foregoing remedies shall be in addition to all other remedies and rights of the COMPANY hereunder or under applicable law.

13. **TRANSFER**.

A. **BY THE COMPANY**.

This Agreement and the Franchise are fully transferable by the COMPANY and shall inure to the benefit of any transferee or other legal successor to the COMPANY's interest herein.

B. **FRANCHISEE MAY NOT TRANSFER WITHOUT APPROVAL**.

FRANCHISEE understands and acknowledges that the rights and duties created by this Agreement are personal to FRANCHISEE (or its owner(s)) and that the COMPANY has granted the Franchise in reliance upon the COMPANY's perceptions of the individual or collective character, business skill, aptitude and financial capacity of FRANCHISEE (or its owner(s)). Therefore, neither this Agreement (or any interest in this Agreement), the assets used in operating or otherwise relating to FRANCHISEE's BUSINESS (**"Business Assets"**) (or any interest therein) other than in the ordinary course of business, the Franchise (or any interest therein), nor any part or all of the ownership interests in FRANCHISEE may be transferred (or attempted to be transferred, including by listing for sale on any sales directory or platform) without the COMPANY's prior written approval, and any such transfer without the COMPANY's prior approval shall constitute a breach of this Agreement and convey no rights to or interest in this Agreement, FRANCHISEE's BUSINESS, the Business Assets or FRANCHISEE. All certificates or other documents representing ownership interests in FRANCHISEE shall bear a legend referring to transfer restrictions in this Agreement. The term "Business Assets" includes, but is not limited to, customer lists, customer contracts and any other information relating to customers of FRANCHISEE's BUSINESS.

As used in this Agreement, the term **"transfer"** means and includes a voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by FRANCHISEE (or any of its owners) of any interest in this Agreement, the ownership of FRANCHISEE, the Business Assets or the BUSINESS. An assignment, sale, gift or other disposition shall include the following events: (1) the transfer of ownership of capital stock, a partnership interest or other form of ownership interest; (2) merger or consolidation or issuance of additional securities or other forms of ownership interest in FRANCHISEE; (3) the sale of any security convertible to an ownership interest in FRANCHISEE; (4) the transfer of any interest in FRANCHISEE, this Agreement, the Franchise or the Business Assets in a divorce, insolvency, business entity dissolution proceeding or otherwise by operation of law; (5) the transfer of any interest in FRANCHISEE, this Agreement, the Franchise or the Business Assets in the event of the death of FRANCHISEE (or an owner of FRANCHISEE) by will, declaration of a transfer in trust, or under the laws of intestate succession; and (6) a pledge of this Agreement (to someone other than the COMPANY) or of an ownership interest in FRANCHISEE as security.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

If FRANCHISEE and its owner(s) are in full compliance with this Agreement, the COMPANY shall not unreasonably withhold its approval of a transfer that meets all of the applicable requirements of this Section 13.C. All proposed transferees (or their owners) must be individuals of good character, have sufficient business experience, aptitude and financial resources to own and operate a BUSINESS, be able to personally devote best efforts to a BUSINESS and otherwise meet the COMPANY's then applicable standards for franchisees. If the transfer is of the Franchise, or of a controlling interest in FRANCHISEE, or if it is one of a series of transfers which in the aggregate constitutes the transfer of this Agreement or a controlling interest in FRANCHISEE (regardless of the time period over which these transfers take place), all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

(1) all obligations of FRANCHISEE incurred in connection with this Agreement or the conduct of its BUSINESS, including but not limited to obligations to current and previous customers of FRANCHISEE, are assumed by the transferee(s);

(2) FRANCHISEE pays all amounts owed to the COMPANY which are then due, and shall have submitted to the COMPANY all required reports and statements;

(3) each transferee designated by the COMPANY satisfactorily completes the training program required by the COMPANY;

(4) each transferee signs and agrees to be bound by the COMPANY's then-current form of franchise agreement and such ancillary agreements as are then customarily used by the COMPANY in the granting of BUSINESS franchises, which may provide for materially different rights and obligations than are provided by this Agreement, but which franchise agreement does not provide for payment of an initial franchise fee;

(5) FRANCHISEE or the transferee(s) pay a transfer fee to the COMPANY of Ten Thousand Dollars ($10,000);

(6) FRANCHISEE and its owner(s) execute a general release, in a form satisfactory to the COMPANY, of any and all claims, demands and actions against the

COMPANY, its affiliates, and their respective shareholders, officers, directors, employees, agents, representatives, successors and assigns;

(7) the COMPANY approves the material terms and conditions of such transfer, including, without limitation, determining that the price and terms of payment are not so burdensome as to adversely affect the future operations of the BUSINESS by such transferee(s) in compliance with the franchise agreement and ancillary agreements;

(8) if required by the COMPANY, the equipment and the Service Vehicles to be used by the transferee(s) in connection with the BUSINESS are refurbished, re-equipped, repaired and/or replaced; and

(9) FRANCHISEE and its owners agree that any transferee's obligation to make installment payments of the purchase price or any other payments to FRANCHISEE are subordinate to the transferee's obligations to the COMPANY (including royalty fees and advertising contributions).

(10) In the event of any sale or transfer, other than a transfer among owners or among the immediate family in which the transferee is continuing to be involved in the business, FRANCHISEE agrees that it will enter into a reasonable non-competition agreement, effective as of the date of sale or transfer, that provides the new franchise owners and the COMPANY with an appropriate degree of protection. Unless state law mandates a different scope, such provision shall, at the minimum, provide that for a period of two years following the closing of the transaction, the owners, officers and directors of the transferring franchisee will not own, operate or have a financial interest in the revenues or profits of any business that is substantially similar to the business then being operated by the transferring franchisee or then being franchised by the COMPANY, if such business is located in the Territory, or within ten (10) miles of the outer limits of the Territory, or if such business derives 40% or more of its gross revenues from service to customers or premises located within the Territory. The COMPANY shall be entitled to disapprove any transfer that does not meet these obligations. FRANCHISEE agrees and acknowledges that the foregoing provisions reflect a reasonable business restriction needed to enable a buyer to have a reasonable opportunity to pursue the economic benefits contemplated in any sale or transfer of the franchise.

If the proposed transfer is to or among owners of FRANCHISEE or to or among the immediate family of FRANCHISEE (or an owner of FRANCHISEE), Section 13.C(5) above shall not apply, except that the transferee(s) shall pay the out-of-pocket costs, if any, incurred by the COMPANY in connection with the transfer. Section 13.C(7) above shall not apply to transfers by gift, bequest or inheritance.

D. **<u>DEATH OR INCAPACITY OF FRANCHISEE</u>**.

Upon the death or permanent incapacity of FRANCHISEE (or any of its owners), the executor, administrator, conservator or other personal representative of such person must transfer its interest to a third party approved by the COMPANY within six (6) months from the date of death or permanent disability. Such transfer shall be subject to all of the terms and conditions for transfers contained in this Section 13. Failure to transfer in accordance with this Section 13.D upon such death or disability shall constitute a material breach of this Agreement. The term **"permanent incapacity"** means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent FRANCHISEE (or any of its owners) from performing its duties with respect to the BUSINESS or obligations under this Agreement for at least six (6) consecutive months.

E. **EFFECT OF CONSENT TO TRANSFER.**

Any consent by the COMPANY to a transfer by FRANCHISEE (or its owners) is not a representation as to the fairness of the terms of any contract between FRANCHISEE (or its owners) and the transferee, a guarantee of the BUSINESS" or the transferee's prospects of success, or a waiver of any claims that the COMPANY has against FRANCHISEE (or its owners) or of its right to demand the transferee's full compliance with the terms and conditions of this Agreement.

F. **THE COMPANY'S RIGHT OF FIRST REFUSAL.**

If FRANCHISEE or its owner(s) shall at any time determine to transfer an interest in FRANCHISEE's BUSINESS, the ownership of FRANCHISEE or the Business Assets (except to or among FRANCHISEE's owners, which transfer is not subject to this Section 13.F), FRANCHISEE or its owner(s) shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer (including the purchase price, payment terms and any source of financing) to the COMPANY. Such offer must relate exclusively to an interest in this Agreement, the BUSINESS, the ownership of FRANCHISEE or the Business Assets and must not relate to any other assets or services. The COMPANY shall have the right, exercisable by written notice delivered to FRANCHISEE or its owner(s) within thirty (30) days from the date of delivery to the COMPANY of an exact copy of such offer and all other requested information, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that the COMPANY may substitute cash for any form of payment proposed in such offer, shall have not less than sixty (60) days to prepare for closing and shall receive all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable. If the COMPANY does not exercise its right of first refusal, FRANCHISEE or its owner(s) may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to the COMPANY's approval as provided in Section 13.C.; provided, however, that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to the COMPANY, or there is a material change in the terms of the offer, the COMPANY shall again have the right of first refusal herein provided.

14. **EXPIRATION AND RENEWAL.**

A. **FRANCHISEE'S RIGHT TO ACQUIRE A RENEWAL FRANCHISE.**

Subject to the provision of this Section 14, upon expiration of the initial term of this Agreement (**"Initial Term"**), if: (1) FRANCHISEE has substantially complied with all of the provisions of this Agreement and every other agreement between the COMPANY and

FRANCHISEE throughout the Initial Term, including paying all amounts owed to the COMPANY under such agreements; (2) FRANCHISEE, if the COMPANY deems it necessary, at its own expense, refurbishes, re-equips, repairs, and/or replaces all equipment and Service Vehicles used to operate its BUSINESS and brings all aspects of its BUSINESS into compliance with the specifications and standards then applicable for new BUSINESS franchises; (3) the COMPANY is still offering franchises for BUSINESSES in the geographic area surrounding the Territory; and (4) FRANCHISEE pays a renewal fee of Five Thousand Dollars ($5,000), then FRANCHISEE will have the right to renew the Franchise for its BUSINESS for an additional term of ten (10) years.

B. **<u>GRANT OF A RENEWAL FRANCHISE</u>.**

If FRANCHISEE elects to renew the Franchise it must give the COMPANY written notice of its election at least six (6) months, but not more than twelve (12) months, before the end of the Initial Term. Within ninety (90) days after delivery of FRANCHISEE's notice, the COMPANY shall provide written notice to FRANCHISEE stating whether or not the COMPANY shall renew the Franchise and, if not, the reasons for such refusal. If the COMPANY's notice indicates that the COMPANY will permit FRANCHISEE to renew the Franchise, such right will be contingent upon FRANCHISEE's continued full compliance with this Agreement and any other agreement between the COMPANY and FRANCHISEE, and upon FRANCHISEE's fulfillment of all conditions stated in the notice and in Section 14.A above. FRANCHISEE acknowledges and agrees that the COMPANY may extend the term of this Agreement to provide any notice of nonrenewal required under applicable law.

C. **<u>AGREEMENTS/RELEASES</u>.**

If the COMPANY renews the Franchise, then the COMPANY and FRANCHISEE (and the owner(s) of FRANCHISEE) shall execute the COMPANY's then-current form of franchise agreement and such ancillary agreements as are then used in offering franchises for BUSINESSES (with appropriate modifications to reflect the fact that the agreements relate to a renewal franchise), which may contain terms and conditions materially different from those in this Agreement including, without limitation, increased royalty fees and other fees, the addition of different fees, and the modification of the size of the Territory (including a reduction in the size of the Territory). In addition, FRANCHISEE and its owner(s) shall execute general releases, in form satisfactory to the COMPANY, of any and all claims, demands and actions against each other and their respective affiliates, officers, directors, shareholders, employees, representatives, successors and assigns, other than claims for amounts owed by FRANCHISEE to the COMPANY under this Agreement. Failure by FRANCHISEE and its owner(s) to sign and deliver to the COMPANY such agreement(s) and releases within ninety (90) days after delivery thereof to FRANCHISEE shall be deemed an election by FRANCHISEE not to renew the Franchise. In recognition of the identification of FRANCHISEE'S prior business with the COMPANY's name, the Marks, intellectual property and other elements of the Business, and the activities of the COMPANY during the term of the Franchise designed to promote and advertise the Business and its methods of operation to consumers and potential consumers, FRANCHISEE agrees, that, unless prohibited by applicable law, for a period of two years following the expiration or termination of the Franchise, the owners, officers and directors of FRANCHISEE will not own, operate or have a financial interest in the revenues or profits of any business that is substantially similar to the business then being operated by FRANCHISEE or then being franchised by the COMPANY, if such business is located in the Territory, or within ten (10) miles of the outer limits of the Territory, or if such business derives 40% or more of its gross revenues from service to customer or premises located within the Territory, except as the COMPANY gives its express written consent, which consent shall be governed exclusively by the COMPANY's sole business judgment. In the event FRANCHISEE believes the foregoing provision is prohibited or limited by applicable law, FRANCHISEE shall be obligated to take steps, within ninety (90) days of expiration or, in cases of termination, within thirty (30) days thereafter, to seek a legal determination regarding that issue from a court having jurisdiction over the parties.

15. **TERMINATION OF FRANCHISE BY THE COMPANY.**

This Agreement shall terminate, effective upon delivery of notice of termination to FRANCHISEE (or at such later date as may be stated in such notice) if FRANCHISEE or any of its owners:

(a) abandons or fails to actively operate its BUSINESS for more than seven (7) consecutive calendar days or fails to commence operation of its BUSINESS as required in Section 1.B. of this Agreement;

(b) fails to maintain any insurance policies required by the COMPANY in violation of Section 8.H of this Agreement;

(c) surrenders or transfers control of any interest in this Agreement, the BUSINESS, the ownership of FRANCHISEE, the Franchise or the Business Assets in violation of Section 13 hereof;

(d) has made any material misrepresentation or omission in its franchise application or after being granted the Franchise;

(e) fails to satisfactorily complete the training requirements described in Section 2.A. of this Agreement;

(f) is convicted of or pleads no contest to a felony or any other crime or offense or commits any act that is likely to adversely affect the reputation of FRANCHISEE, other BUSINESSES or the COMPANY;

(g) interferes with the COMPANY's rights to inspect or audit the BUSINESS under Section 12 hereof;

(h) fails to pay when due any federal, state or local service, sales or other taxes due with respect to the BUSINESS, including without limitation, income taxes, workers compensation, and payroll deductions, unless liability for such taxes is being contested in good faith;

(i) makes an assignment for the benefit of creditors, admits in writing its insolvency or inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its property or the Business Assets;

(j) loses the right to possess the Service Vehicles or any equipment that is material to the operation of the BUSINESS;

(k) suffers a termination of any other franchise agreement between FRANCHISEE (or any of its owners or affiliates) and the COMPANY;

(l) makes any unauthorized use, duplication or disclosure of any Confidential Information or the Business Manual;

(m) fails on three (3) or more separate occasions during any twelve (12) month period to submit when due reports or other data, information or supporting records, to pay when due the royalty fees, National Marketing Fund contributions, amounts due for products and services purchased from suppliers or any other payments due to the COMPANY, or to otherwise comply with this Agreement (including, without limitation, to satisfy the COMPANY's standards), whether or not such failures to comply are corrected after notice thereof is delivered to FRANCHISEE;

(n) submits to the COMPANY on two (2) or more separate occasions at any time during the term of this Agreement information, reports or supporting records which understate by more than two percent (2%) the Gross Revenue for any period of, or periods aggregating, two (2) or more months, and FRANCHISEE is unable to demonstrate that such understatements resulted from inadvertent error;

(o) materially misuses or makes an unauthorized use of any Mark, or commits any act which can reasonably be expected to materially impair the goodwill associated with any Mark, including but not limited to the unauthorized use of any Mark as part of an electronic address, domain name, website or search engine;

(p) violates any environmental, health, safety, sanitation, licensing or other regulatory law, ordinance, rule or regulation applicable to its BUSINESS or conducts its BUSINESS in a manner that presents a health or safety hazard to its customers or the public, regardless of any period of time that any governmental authority or agency may have given FRANCHISEE to cure such violation;

(q) fails to accurately report the Gross Revenue of its BUSINESS or fails to make payments of any amounts due the COMPANY or its affiliates hereunder with respect to which a Payment Notice has been delivered to FRANCHISEE and does not correct such failure within ten (10) calendar days after written notice of such failure is delivered to FRANCHISEE;

(r) fails to comply with any other provision of this Agreement or any mandatory specification, standard or business procedure as set forth in the Business Manual, or otherwise prescribed by the COMPANY, and does not, within thirty (30) calendar days after written notice of such failure is delivered to FRANCHISEE: (1)

correct such failure to comply; or (2) provide proof acceptable to the COMPANY of efforts which are reasonably calculated to correct such failure, and continue with such efforts until such failure is fully corrected to the COMPANY's satisfaction, if such failure cannot reasonably be corrected within thirty (30) calendar days after written notice is delivered to FRANCHISEE; or

(s) fails to comply with anti-terrorism laws, ordinances, regulations and executive orders.

## 16. RIGHTS AND OBLIGATIONS OF THE COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF FRANCHISE.

### A. PAYMENT OF AMOUNTS OWED.

FRANCHISEE agrees to pay to the COMPANY or its affiliates, within fifteen (15) calendar days after the effective date of termination or expiration (without renewal) of this Agreement or at such later date as the amounts due are determined, such royalty fees, advertising contributions, amounts owed for customer refunds or other adjustments, amounts owed to the COMPANY for purchases made by FRANCHISEE, interest due on any of the foregoing, and all other amounts owed to the COMPANY or its affiliates which are then unpaid.

### B. MARKS.

FRANCHISEE (and each of its owners) agrees that immediately upon termination or expiration (without renewal) of this Agreement, it will: (1) not directly or indirectly at any time or in any manner (including, without limitation, as part of an electronic address, domain name, website or search engine) identify itself or any business as a current or former BUSINESS, or as a current or former franchisee, licensee or dealer of or as otherwise associated with the COMPANY, or use any Mark, any colorable imitation thereof or other indicia of a BUSINESS in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with the COMPANY; (2) return to the COMPANY or, at the COMPANY's option, destroy all signs, brochures, advertising materials, forms, invoices and other materials and supplies containing any Marks or otherwise identifying or relating to the BUSINESS; (3) take all such action as may be required to cancel any fictitious or assumed name or equivalent registrations relating to its use of any Mark; (4) remove all indicia of the Marks from all equipment and Service Vehicles not surrendered to or bought by the COMPANY or its franchisees; (5) notify the telephone company and all listing agencies of the termination or expiration of FRANCHISEE's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark and promptly execute such documents or take such steps as may be necessary or appropriate to enable COMPANY to utilize all such telephone numbers; (6) cease using or operating any Online Presences that display any Mark or that identify FRANCHISEE as associated with the COMPANY or the BUSINESS, take any action as may be required to disable such Online Presences, and cancel or assign to the COMPANY all rights in and to any Online Presences; and (7) furnish to the COMPANY, within thirty (30) days after the effective date of termination or expiration (without renewal), evidence satisfactory to the COMPANY of FRANCHISEE's compliance with the foregoing obligations.

C. **CONFIDENTIAL INFORMATION AND BUSINESS MANUAL.**

FRANCHISEE (and each of its owners) agrees that upon termination or expiration (without renewal) of this Agreement, it will immediately cease using the Confidential Information (including, without limitation, any customer lists and contracts) and return to the COMPANY or, at the COMPANY's option, delete or destroy all copies of the Business Manual and other Confidential Information (including, without limitation, any customer lists and contracts).

D. **CONTINUING OBLIGATIONS.**

All obligations of the COMPANY and FRANCHISEE which expressly or by their nature survive the expiration (without renewal) or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration (without renewal) or termination and until they are satisfied in full or by their nature expire.

17. **ENFORCEMENT.**

A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary herein, each Section, Subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any provision or portion thereof is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which the COMPANY is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. Any portion of this Agreement so held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if FRANCHISEE is a party thereto, and otherwise upon FRANCHISEE's receipt of written notice of non-enforcement thereof from the COMPANY. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, FRANCHISEE and the COMPANY agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule or any jurisdiction requires a greater prior notice of the termination of or refusal to renew the Franchise than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or business procedure prescribed by the COMPANY is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provision(s) hereof, and the COMPANY shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or business procedure to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Such modification(s) to this Agreement shall be effective only in such jurisdiction, unless the COMPANY elects to give it greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions. FRANCHISEE agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated herein and made a part hereof.

B. **WAIVER OF OBLIGATIONS.**

The COMPANY and FRANCHISEE may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or another effective date stated in the notice of waiver. Any waiver granted by the COMPANY shall be without prejudice to any other rights the COMPANY may have, will be subject to continuing review by the COMPANY and may be revoked, in the COMPANY's sole discretion, at any time and for any reason, effective upon delivery to FRANCHISEE of ten (10) days' prior written notice. The COMPANY and FRANCHISEE shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the COMPANY's right to declare any breach to be a default and to terminate this Agreement) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal or neglect of the COMPANY or FRANCHISEE to exercise any rights under this Agreement or to insist upon exact compliance by the other with the obligations hereunder (including, without limitation, any standard, specification or business procedure prescribed by the COMPANY); any waiver, forbearance, delay, failure or omission by the COMPANY to exercise any right, power or option, whether of the same, similar or different nature, with respect to other BUSINESSES; the existence of franchise or other agreements for other BUSINESSES or similar businesses containing provisions different from those contained herein; or the acceptance by the COMPANY of any payments due from FRANCHISEE after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to the COMPANY will act as a waiver, compromise, settlement or accord and satisfaction.

Neither the COMPANY nor FRANCHISEE shall be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform the obligations results from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or foregoing the right to acquire or use any of them in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) fires, strikes, embargoes, war or riot; or (5) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of royalty fees or advertising contributions due thereafter.

C. **INJUNCTIVE RELIEF.**

Notwithstanding anything to the contrary contained in Section 17.F, the COMPANY and FRANCHISEE each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties shall contemporaneously submit their dispute for arbitration on the merits in accordance with Section 17.F. FRANCHISEE agrees that the COMPANY may have such temporary or preliminary injunctive relief without bond, but upon due notice, and FRANCHISEE's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had, and FRANCHISEE hereby expressly waives any claim for damages caused by such injunction.

D. **RIGHTS OF PARTIES ARE CUMULATIVE.**

The rights of the COMPANY and FRANCHISEE hereunder are cumulative and no exercise or enforcement by the COMPANY or FRANCHISEE of any right or remedy hereunder shall preclude the exercise or enforcement by the COMPANY or FRANCHISEE of any other right or remedy hereunder or which the COMPANY or FRANCHISEE is entitled by law to enforce.

E. **COSTS AND ATTORNEYS' FEES.**

If either party initiates a judicial or other proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable attorneys' fees.

F. **ARBITRATION.**

The COMPANY and FRANCHISEE agree that all controversies, disputes, or claims between the COMPANY and its affiliates (and the COMPANY's and its affiliates' respective shareholders, members, officers, directors, agents, and/or employees) and FRANCHISEE (and/or FRANCHISEE's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between the COMPANY (or its affiliates) and FRANCHISEE (or FRANCHISEE's owners);

(2) the COMPANY's relationship with FRANCHISEE;

(3) the scope or validity of this Agreement or any other agreement between FRANCHISEE (or FRANCHISEE's owners) and the COMPANY (or its affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration obligation under this Section 17.F, which the COMPANY and FRANCHISEE acknowledge is to be determined by an arbitrator, not a court); or

(4) any System Standards;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location within Chicago, Illinois, chosen by the arbitrator. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The decision of the arbitrator shall be final and binding upon each party and may be enforced in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the trademarks owned by the COMPANY or its affiliates generic or otherwise invalid or, except as expressly provided in this Article 17, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (the COMPANY and FRANCHISEE hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

The COMPANY and FRANCHISEE agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. The COMPANY and FRANCHISEE further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either the COMPANY or FRANCHISEE.

**THE COMPANY AND FRANCHISEE AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN THE COMPANY AND ITS AFFILIATES (AND THE COMPANY'S AND ITS AFFILIATES' RESPECTIVE SHAREHOLDERS, MEMBERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES) AND FRANCHISEE (AND ITS OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN THE COMPANY AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN SECTION 17.A OR THIS SECTION 17.F, IF ANY COURT OR ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS SECTION 17.F, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH SECTION 17 (EXCLUDING THIS SECTION 17.F).**

Despite the COMPANY and FRANCHISEE's agreement to arbitrate, the COMPANY and FRANCHISEE each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the COMPANY and FRANCHISEE must contemporaneously submit their dispute, controversy or claim for arbitration on the merits as provided in this Section.

FRANCHISEE and the COMPANY agree that, in any arbitration arising as described in this Section 17.F, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." FRANCHISEE and the COMPANY further agree that there shall be no interrogatories or requests to admit. With respect to any electronic discovery, FRANCHISEE and the COMPANY agree that:

(5) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;

(6) the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(7) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and

(8) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take no more than three depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours. There are to be no speaking objections at the depositions, except to preserve privilege.

The provisions of this Section 17.F are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section 17.F.

G. **GOVERNING LAW.**

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise and the relationship between the COMPANY and FRANCHISEE shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles; provided, however, that any law governing the offer or sale of franchises, business opportunities or similar interests or the relationship between the COMPANY and FRANCHISEE shall not apply unless its jurisdictional requirements are met independently without reference to this Section 17.G.

H. **CONSENT TO JURISDICTION**.

SUBJECT TO SECTION 17.F. ABOVE AND THE PROVISIONS BELOW, THE COMPANY AND FRANCHISEE (AND ITS OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND THE COMPANY MUST BE COMMENCED IN STATE OR FEDERAL COURT IN CHICAGO, ILLINOIS, AND THE COMPANY AND FRANCHISEE (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR FORUM IN THOSE COURTS.

I. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL; LIMITATION OF LIABILITY**.

Except with respect to FRANCHISEE's obligation to indemnify the COMPANY pursuant to Section 6 of this Agreement and claims brought against FRANCHISEE for unauthorized use of the Marks or unauthorized use or disclosure of Confidential Information, the parties (and their respective owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to equitable relief (if applicable) and recovery of any actual damages sustained; PROVIDED, HOWEVER, FRANCHISEE AGREES THAT THE MAXIMUM AMOUNT OF ACTUAL DAMAGES THAT FRANCHISEE MAY COLLECT FROM THE COMPANY (AND/OR THE COMPANY'S AFFILIATES AND OWNERS) FOR SERVICES THAT THE COMPANY (AND/OR THE COMPANY'S AFFILIATES) HAS PROVIDED TO FRANCHISEE PURSUANT TO THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, SERVICES RELATED TO TRAINING, THE PREPARATION OF MARKETING AND ADVERTISING MATERIALS, MARKETING PROGRAMS, OR THE OPERATION OF ANY SOFTWARE THAT THE COMPANY PROVIDES) SHALL BE LIMITED TO AN AMOUNT EQUAL TO THE TOTAL AMOUNT OF ROYALTIES THAT FRANCHISEE HAS ACTUALLY PAID TO THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE FRANCHISEE'S CLAIM AGAINST THE COMPANY FIRST AROSE, AND FRANCHISEE HEREBY DISCLAIMS AND WAIVES (TO THE FULLEST EXTENT PERMITTED BY LAW) ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, CONSEQUENTIAL, EXEMPLARY, OR LOST-PROFIT DAMAGES ARISING FROM ANY SUCH CLAIM, WHETHER THE CLAIM IS BASED IN CONTRACT, TORT, OR OTHER LEGAL THEORY. EACH PARTY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

J. **DAMAGES**.

If this Agreement is terminated because of FRANCHISEE's default or by FRANCHISEE without cause, the parties agree that it would be difficult if not impossible to determine the amount of damages that the COMPANY would suffer due to the loss or interruption of the revenue stream the COMPANY otherwise would have derived from FRANCHISEE's continued payment of royalty fees and that the National Marketing Fund and Advertising Cooperatives would have otherwise derived from FRANCHISEE's continued contributions to those funds, less any cost savings, through the remainder of the term of this Agreement (the "**Damages**"). The parties agree that a reasonable estimate of the Damages is, and FRANCHISEE agrees to pay COMPANY as compensation for the Damages, an amount equal to the then net present value of the royalty fees, Advertising Fund contributions and Advertising Cooperative contributions that would have become due had the Agreement not been terminated, for the period of time (the "**Measurement Period**") equal to the lesser of (a) the date of termination to the scheduled expiration date of this Agreement or (b) two (2) years. For this purpose, Damages shall be calculated by multiplying (1) the number of calendar months in the Measurement Period by (2) the aggregate of the royalty fees, Advertising Fund contributions and Advertising Cooperative contributions percentages, by (3) the average monthly Gross Revenues of the BUSINESS during the 12 full calendar months immediately preceding the termination date; however, if as of the termination date, the BUSINESS has not been operating for at least 12 months, Damages will be calculated based on the average monthly Gross Revenue during the COMPANY's previous fiscal year immediately preceding the termination date of all BUSINESSES operating under the Marks during the entirety of that fiscal year. The parties agree that the calculation described in this Section is a calculation only of the Damages and that nothing herein shall preclude or limit the COMPANY from proving and recovering any other damages caused by FRANCHISEE's breach of the Agreement.

K. **FRANCHISEE MAY NOT WITHHOLD PAYMENTS.**

FRANCHISEE agrees that it will not, on grounds of the alleged nonperformance by the COMPANY of any of its obligations hereunder or for any other reason, withhold payment of any royalty fees, advertising contributions, amounts due to the COMPANY for purchases by FRANCHISEE or any other amounts due to the COMPANY or its affiliates.

L. **BINDING EFFECT.**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, permitted assigns and successors in interest and shall not be modified except by written agreement signed by FRANCHISEE and the COMPANY.

M. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS.**

**THE PARTIES AGREE THAT CLAIMS OF ANY OTHER PARTY OR PARTIES SHALL NOT BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN FRANCHISEE AND THE COMPANY. NO CLAIMS MAY BE BROUGHT ON FRANCHISEE'S OR ITS OWNERS' BEHALF BY ANY ASSOCIATION. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT. EXCEPT FOR CLAIMS ARISING FROM FRANCHISEE'S NON-PAYMENT OR UNDERPAYMENT OF AMOUNT FRANCHISEE OWES THE COMPANY OR ITS AFFILIATES, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE COMPANY'S RELATIONSHIP WITH FRANCHISEE SHALL BE BARRED UNLESS A**

**JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM.**

N. **CONSTRUCTION.**

The COMPANY and FRANCHISEE each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined in this Agreement. Neither the COMPANY 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 than or supplementary to the rights and obligations set forth herein. Accordingly, the COMPANY and FRANCHISEE agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto (i) constitute the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties, and (ii) supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between the COMPANY 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. 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 hereto or waiver hereof and signed by the party against whom enforcement of such writing is sought. Nothing in this or in any related agreement, however, is intended to disclaim the representations the COMPANY made in the franchise disclosure document that the COMPANY furnished to FRANCHISEE.

Except where this Agreement expressly obligates the COMPANY reasonably to approve or not unreasonably to withhold its approval of any action or request by FRANCHISEE, the COMPANY has the absolute right to refuse any request by FRANCHISEE or to withhold its approval of any action by FRANCHISEE that requires the COMPANY's approval. Except as provided in Sections 3, 6, 12 and 17.F hereof, nothing in this Agreement is intended, nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto.

O. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which will be deemed an original. FRANCHISEE acknowledges that this Agreement will not take effect until accepted and executed by the COMPANY. Signatures transmitted by fax or scanned and emailed shall have the same effect as originals.

18. **NOTICE AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Business Manual shall be deemed so delivered at the time delivered by hand; one (1) business day after transmission by facsimile or comparable electronic system with proof of receipt; one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or three (3) business days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, to the address set forth herein, or to such other address designated in writing by the COMPANY or FRANCHISEE. Any required payment or report which the COMPANY does not actually receive at the correct address during regular or business hours on the date due (or postmarked by postal authorities at least three (3) business days before it is due) will be deemed delinquent.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Agreement as of the Agreement Date.

| | |
|---|---|
| **SEARS HOME & BUSINESS FRANCHISES, INC.,** | **FRANCHISEE** |
| a Delaware corporation | **(If corporation, limited liability company or partnership):** |
| By: ____________________<br>Name: ____________________<br>Title: ____________________ | ____________________<br>[Name]<br>By: ____________________<br>Name: ____________________<br>Title: ____________________ |
| | **(If individuals):** |
| | ____________________<br>[Signature] |
| | ____________________<br>[Print Name] |
| | ____________________<br>[Signature] |
| | ____________________<br>[Print Name] |

<u>**OWNER'S AND GUARANTOR'S UNDERTAKING**</u>

**(complete if FRANCHISEE is a corporation, partnership, limited liability company or other business entity)**

**THIS OWNER'S AND GUARANTOR'S UNDERTAKING** (this **"Undertaking"**) is made and entered into this ____ day of ______________, _____, by the undersigned (each a **"GUARANTOR"**) for and in consideration of, and as an inducement to, **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation (**"COMPANY"**) agreeing to enter into a franchise agreement dated _______________, 20___ (the **"Franchise Agreement"**) with _ ________________________________________ (**"FRANCHISEE"**) for the operation of a BUSINESS. All capitalized terms used but not defined herein shall have the meanings set forth in the Franchise Agreement.

GUARANTOR acknowledges and agrees that the COMPANY entered into the Franchise Agreement with FRANCHISEE solely on the condition that GUARANTOR be personally obligated and jointly and severally liable with FRANCHISEE (and with each other GUARANTOR) for the performance of each and every obligation of FRANCHISEE under the Franchise Agreement, any amendments or modifications to the Franchise Agreement and any and all ancillary agreements that have been or hereafter may be entered into by FRANCHISEE and the COMPANY, including without limitation, the Conversion Addendum (if any). (All such agreements are collectively referred to as the **"Franchise Documents"**.)

In consideration of and as an inducement to the execution of the Franchise Agreement by the COMPANY, GUARANTOR hereby personally and unconditionally:

(1) represents, warrants and guarantees to the COMPANY and its successors and assigns that FRANCHISEE shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Documents;

(2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents (both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality and arbitration requirements) as if GUARANTOR were the FRANCHISEE thereunder; and

(3) represents and warrants that, if no signature appears below for GUARANTOR's spouse, GUARANTOR is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

GUARANTOR waives:

(1) acceptance and notice of acceptance by the COMPANY and its affiliates of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(4) any right GUARANTOR may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability;

(5) all rights to payments and claims for reimbursement or subrogation which GUARANTOR may have against FRANCHISEE arising as a result of GUARANTOR's execution of and performance under this Undertaking; and

(6) any and all other notices and legal or equitable defenses to which GUARANTOR may be entitled.

GUARANTOR hereby consents and agrees that:

(1) GUARANTOR's direct and immediate liability under this Undertaking shall be joint and several with FRANCHISEE and the other GUARANTORS (if any):

(2) GUARANTOR shall render any payment or performance required under the Franchise Documents upon demand if FRANCHISEE fails or refuses punctually to do so;

(3) GUARANTOR's liability shall not be contingent or conditioned upon pursuit by the COMPANY or its affiliates of any remedies against FRANCHISEE or any other person;

(4) this Undertaking shall continue in full force and effect with respect to any extension of or modification or amendment to any Franchise Documents, notwithstanding the transfer of any interest in the Franchise Documents or FRANCHISEE, and GUARANTOR waives notice of any and all such extensions, modifications, amendments or transfers; and

(5) GUARANTOR's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the COMPANY or its affiliates 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 (including the release of other GUARANTORS), none of which shall in any way modify or amend this Undertaking, which shall be continuing and irrevocable during the term of the Franchise Agreement and so long as any performance is or may be owed under any of the Franchise Documents by FRANCHISEE (or any GUARANTOR) or the COMPANY may have any cause of action against FRANCHISEE (or any GUARANTOR).

If the COMPANY incurs expenses in connection with, or in preparation for or contemplation of, enforcing this Undertaking in any judicial or arbitration proceeding or appeal thereof, GUARANTOR shall reimburse the COMPANY for any such costs and expenses which it incurs, including but not limited to, reasonable attorneys', attorneys' assistants', arbitrators', accounting and related fees.

The provisions contained in Section 17.E (Costs and Attorneys' Fees), Section 17.F (Arbitration), and Section 17.H (Consent to Jurisdiction) of the Franchise Agreement shall govern this Undertaking and any dispute between GUARANTOR and the COMPANY, and such provisions are incorporated into this Undertaking by reference.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed its signature on the day and year first written above.

**GUARANTORS**

| | |
|---|---|
| [Signature] | [Signature] |
| [Print Name] | [Print Name] |
| Address: ______________ | Address: ______________ |

The undersigned, as the spouse of the GUARANTOR indicated above, acknowledges and consents to the undertaking given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to GUARANTOR's performance of this Undertaking.

| | |
|---|---|
| Name of Guarantor | Name of Guarantor |
| Name of Guarantor's Spouse | Name of Guarantor's Spouse |
| Signature of Guarantor's Spouse | Signature of Guarantor's Spouse |

**EXHIBIT 1**
**to the**
**FRANCHISE AGREEMENT**

**INITIAL FRANCHISE FEE AND TERRITORY**

1. FRANCHISEE's Territory (defined in Section 1.B of the Agreement), which is described more fully in the map attached hereto, is summarized as the following:

Market ID: ______________________________
Major Market(s) and State(s): ______________________________
Sectional Center Facility(ies)("SCF(s)"): ______________________________

2. FRANCHISEE's initial franchise fee, payable according to the terms of Section 7.A of the Agreement, is $____________________.

**SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

______________________________
[Name]

By: ______________________________
Name: ______________________________
Title: ______________________________

**(If individuals):**

______________________________
[Signature]

______________________________
[Print Name]

______________________________
[Signature]

______________________________
[Print Name]

**EXHIBIT 2A**
**to the**
**FRANCHISE AGREEMENT**

**ELECTRONIC DEBIT AUTHORIZATION**
**(AUTHORIZATION FOR PRE-AUTHORIZED PAYMENTS**
**VIA ACH DEBIT ORIGINATIONS)**

FRANCHISEE NAME: ______________________________ FEIN: ______________________

FRANCHISEE ("I" or "We") hereby authorizes SEARS HOME & BUSINESS FRANCHISES, INC. and its affiliates (together referred to as "COMPANY"), to initiate debit and credit entries to and from my (our) checking account indicated below in the depository named below, hereinafter called DEPOSITORY.

DEPOSITORY NAME: ______________________________________________

CITY & STATE: ______________________________________________

ABA/TRANSIT NO: ______________________ ACCOUNT NO.: ______________________

This authorization is to remain in full force and effect until the underlying obligations per the Franchise Agreement between FRANCHISEE and COMPANY and have been satisfied in full or released in writing by COMPANY. This authorization further confirms my agreement that this authorization shall apply to any and all Depositories and Bank Accounts with which I/we open during the term of the Franchise Agreement and any renewals. Without limiting the generality of the foregoing, I/we understand that if I/we close any bank account, I/we are obligated to immediately, (i) notify COMPANY thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to COMPANY all documents necessary for COMPANY to begin and continue making withdrawals from such depository/bank account by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

NAME: ______________________________

Signature: ______________________________ Dated: ______________________

Or for business entity franchisee:

By: ______________________________ Dated: ______________________

As Its: ______________________________

Federal Tax ID # or SS#: ____________________

**EXHIBIT 2B**
**to the**
**FRANCHISE AGREEMENT**

**PAYMENT AUTHORIZATION/RELEASE FORM**

FRANCHISEE NAME: ______________________ DATE: ____________

BUSINESS NAME: ________________________________________

BILLING ADDRESS: ______________________________________

PHONE #: ______________________________

CREDIT CARD TYPE (CIRCLE): MC VISA AMEX DISC SEARS

NAME AS IT APPEARS ON THE CARD: ______________________

CREDIT CARD NUMBER: ______________ Exp. Date: ____________

By signing below I give Sears Home & Business Franchises, Inc., and its affiliates, (or representative thereof) authorization to charge my credit card to process payments for various advertising programs or related services and any other amounts owing to Sears Home & Business Franchises, Inc., or its affiliates, that have been committed to, or agreed upon, by myself or other authorized representative of my business. I understand that Sears Home & Business Franchises, Inc., and its affiliates, are only assisting in the processing of these payments and agree not to hold Sears Home & Business Franchises, Inc., and its affiliates, liable, for any disputed amounts with a vendor or advertising source. I understand that this authorization is considered indefinite unless terminated by the franchisee or Sears Home & Business Franchises, Inc., and its affiliates, in writing, at a future date. I further agree that in the event my credit card becomes invalid, I will provide Sears Home & Business Franchises, Inc., and its affiliates, with a new valid credit card upon request, to be charged for the payment of any outstanding balances owed. Sears Home & Business Franchises, Inc. will keep all information provided to process payments strictly confidential.

______________________________ ______________________

Cardholder/Franchise Owner Signature Date

**EXHIBIT D**

**CONVERSION ADDENDUM**

**SEARS HANDYMAN SOLUTIONS**

## CONVERSION ADDENDUM

**THIS CONVERSION ADDENDUM** (the "**Addendum**") is made and entered into this ____ ______ day of __________________________, 20____ by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation (the "**COMPANY**") and ____________ ________________________________________________ ("**FRANCHISEE**").

## R E C I T A L S:

**WHEREAS**, FRANCHISEE currently operates a business (the "**Existing Business**") that provides residential handyman services;

**WHEREAS**, FRANCHISEE wishes to convert the Existing Business into a Sears BUSINESS (the "**Conversion**");

**WHEREAS**, the COMPANY and FRANCHISEE have entered into that certain Sears Handyman Solutions Franchise Agreement of even date herewith (the "**Franchise Agreement**") under which the COMPANY granted to FRANCHISEE the right to operate a BUSINESS in the Territory;

**WHEREAS**, the parties desire to supplement and amend the terms of the Franchise Agreement to reflect the terms and conditions of the Conversion;

**NOW, THEREFORE**, in consideration of the mutual terms and conditions contained herein and in the Franchise Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Recitals**. The recitals of this Agreement are true and correct and are incorporated herein by this reference and are hereby made a part hereof.

2. **Conversion of Existing Business**. Notwithstanding any provision in the Franchise Agreement to the contrary, before FRANCHISEE may begin operating the BUSINESS, FRANCHISE must:

(a) within fifteen (15) days following the Agreement Date, to the COMPANY's satisfaction, (i) cover or remove all signage and other references to the Existing Business's former name at FRANCHISEE's business office and on all equipment and Service Vehicles; and (ii) install the Marks on all equipment and Service Vehicles according to the System Standards;

(b) cease using the Existing Business's former name in advertising, marketing or promotion, including on the telephone and on the Internet;

(c) repair, replace, or refurbish all of FRANCHISEE's equipment and Service Vehicles as necessary to ensure they comply with the System Standards;

(d) complete, to the COMPANY's satisfaction, the initial training program described in Section 2.A of the Franchise Agreement; and

(e) complete the Conversion (including, but not limited to, operating under the Marks at FRANCHISEE's business office, on all equipment and Service Vehicles) to meet the System Standards for a Sears BUSINESS within sixty (60) days of the Agreement Date.

The date on which FRANCHISEE first uses and/or installs the Marks at either FRANCHISEE's business office or on the Service Vehicles is the "Opening Date" for purposes of this Addendum. Upon the Opening Date, FRANCHISEE must immediately commence payment of all fees and other amounts due to the COMPANY or its affiliates under this Agreement (even if FRANCHISEE has not completed the Conversion). Failure to complete the Conversion within the timeframe specified above shall be deemed a material default of the Franchise Agreement.

3. **Confidential Information**. FRANCHISEE acknowledges and agrees that all customers of the Existing Business shall be deemed part of the Confidential Information described in Section 4 of the Franchise Agreement.

4. **Initial Franchise Fee**. Section 7.A of the Franchise Agreement is hereby amended by adding the following language to the end of the Section:

The COMPANY agrees to apply up to $___________ of the initial franchise fee (the "**Reinvestment Amount**") toward approved expenses FRANCHISEE incurs in performing the Conversion. The COMPANY shall pay the Reinvestment Amount within thirty (30) days following FRANCHISEE's delivery to the COMPANY of evidence satisfactory to the COMPANY of actual expenses incurred by FRANCHISEE in performing the Conversion; provided, however, the COMPANY will not be obligated to pay the Reinvestment Amount until FRANCHISEE has completed the Conversion to the COMPANY's satisfaction in accordance with Section 2 of this Addendum.

5. **Miscellaneous**.

(a) All capitalized terms used but not defined herein shall have the meanings set forth in the Franchise Agreement.

(b) The terms of this Addendum form an integral part, and are incorporated into and made a part, of the Franchise Agreement. In the event of a conflict between the terms contained in the Franchise Agreement and this Addendum, the terms and conditions of this Addendum shall govern, control, and supersede any inconsistent or conflicting terms of the Franchise Agreement.

(c) Except as amended by this Addendum, the terms and conditions of the Franchise Agreement are hereby confirmed, ratified and approved in their entirety, and shall continue in full force and effect, as amended and modified by this Addendum.

(d) This Addendum may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. The parties agree that faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

**IN WITNESS WHEREOF,** the parties hereto have executed and delivered this Addendum as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation

By: ______________________________
Name: ____________________________
Title: _____________________________

**FRANCHISEE:**

**(If corporation, limited liability company or partnership):**

_________________________________
[Name]

By: ______________________________
Name: ____________________________
Title: _____________________________

**(If individuals):**

_________________________________
[Signature]

_________________________________
[Print Name]

_________________________________
[Signature]

_________________________________
[Print Name]

**EXHIBIT E**

**REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT**

**SEARS HANDYMAN SOLUTIONS**

## REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Sears Home & Business Franchises, Inc. ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Sears Handyman Solutions franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

| | |
|---|---|
| I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the marketplace generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor. | INITIAL: |
| I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise. | INITIAL: |
| Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD. | INITIAL: |
| My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise. | INITIAL: |
| I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase. | INITIAL: |

| PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED. | INITIAL: |
| --- | --- |
| Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success)?<br><br>☐ Yes ☐ No (Initial Here: ____)<br><br>If you selected "Yes," please describe the information you received on the lines below:<br><br>______________________________________________<br>______________________________________________ | |

**Prohibited Parties Clause**. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the Sears Handyman Solutions franchise that you will purchase is located in Maryland or if you are a resident of Maryland, the following shall apply:

> The representations made in this Representations and Acknowledgment Statement are not intended to, nor shall they, act as a release, estoppels, or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

Acknowledged __________________, 20___.

**FRANCHISEE:**

Sign here if you are taking the franchise as an **INDIVIDUAL(S)** **(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate <u>legal</u> entity)**

______________________________
**Signature**
Print Name: ______________________
Date: __________________________

______________________________
**Signature**
Print Name: ______________________
Date: __________________________

______________________________
**Signature**
Print Name: ______________________
Date: __________________________

______________________________
**Signature**
Print Name: ______________________
Date: __________________________

Sign here if you are taking the franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

______________________________
Print Name of Legal Entity

By: ___________________________
**Signature**

Print Name: ______________________
Title: __________________________
Date: __________________________

**EXHIBIT F**

**SAMPLE GENERAL RELEASE**

**SEARS HANDYMAN SOLUTIONS**

## SEARS HOME & BUSINESS FRANCHISES, INC.

## GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

**Sears Home & Business Franchises, Inc.** ("we," "us," or "our") and the undersigned franchisee, ______________________________ ______________________ ("you" or "your"), currently are parties to a certain Franchise Agreement (the "Franchise Agreement") dated ______________________, 20___. You have asked us to take the following action or to agree to the following request: [insert as appropriate for transfer situation]__________________________________________________________
__________________________________________________________
__________________________________________________________
__________________________________________________________
________________________________________. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, members, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Sears Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Sears Parties, including without limitation, Claims (1) arising out of or related to the Sears Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Sears Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Sears Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

IF THE BUSINESS YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE SEARS PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE SEARS PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR."**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Business is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this release on the date set forth below.

**SEARS HOME & BUSINESS FRANCHISES, INC.**

Print Name:______________________________

Title:______________________________

By:______________________________ Date:____________________

**FRANCHISEE**

______________________________

Print Name:______________________________

Title:______________________________

By:______________________________ Date:____________________

**FRANCHISEE OWNER**

Print Name:______________________________

Title:______________________________

By:______________________________ Date:____________________

Print Name:______________________________

Title:______________________________

By:______________________________ Date:____________________

**EXHIBIT G**

**BUSINESS MANUAL TABLE OF CONTENTS**

**SEARS HANDYMAN SOLUTIONS**

# Table of Contents

**EXHIBIT H**

**LIST OF FRANCHISEES**

**HANDYMAN SOLUTIONS**

| Territory City | Territory State | First Name | Last Name | Company Name | Business Address | Address Business 2 | City | State | Zip | Business Phone |
|---|---|---|---|---|---|---|---|---|---|---|
| Hollywood /Pasadena | CA | Raz | Ben-Aharon | RNK Remodeling, Inc. | 14757 Arminta Street | Unit A | Panorama City | CA | 91402 | 818-374-9169 |
| Long Beach | CA | Raz | Ben-Aharon | RNK Remodeling, Inc. | 14757 Arminta Street | Unit A | Panorama City | CA | 91402 | 818-374-9169 |
| Los Angeles | CA | Raz | Ben-Aharon | RNK Remodeling, Inc. | 14757 Arminta Street | Unit A | Panorama City | CA | 91402 | 818-374-9169 |
| Orange County | CA | Raz | Ben-Aharon | RNK Remodeling, Inc. | 14757 Arminta Street | Unit A | Panorama City | CA | 91402 | 818-374-9169 |
| Pomona | CA | Raz | Ben-Aharon | RNK Remodeling, Inc. | 14757 Arminta Street | Unit A | Panorama City | CA | 91402 | 818-374-9169 |
| San Diego | CA | Sammer And Muhanned | Georges | Executive Property Solutions, Inc. | 1632 Poineer Way | | El Cajon | CA | 92020 | 619-312-5992 |
| Tampa | FL | Sal | Basile | Mar-Lin Quality Finishes-5017 | 8503-A Sunstate Street | | Tampa | FL | 33634 | 813-886-1604 |
| Evanston | IL | Barry | Brownstone | Complete Garage Services, LLC | 4346 DiPaolo Center | | Glenview | IL | 60025 | 847-730-3322 |
| Central | NJ | Mark | Coviello, Steve Gucciardo, John Egan | Coviello Services, LLC | 202 E. 11th Avenue | | Roselle | NJ | 07203 | 908-419-5465 |
| Long Island | NY | Barry | Timberg and Daniel Buchnik | New York Handyman Solutions, Inc. | 712 Broadway | | Woodmere | NY | 11598 | 516-408-5500 |
| Cleveland | OH | Linda | Heibert | LEH Home Services | 1601 Marys Avenue | Suite 110 | Pittsburgh | PA | 15215 | 412-821-5200 |
| Dayton | OH | April | Cade | Cade Family Services, LLC | 145 Wells Drive | | Springboro | OH | 45066 | 937-736-2445 |
| Pittsburgh | PA | Linda | Heibert | LEH Home Services | 1601 Marys Avenue | Suite 110 | Pittsburgh | PA | 15215 | 412-821-5200 |
| Austin | TX | Yuval | Adi | A.A.D.Handyman Solutions, Inc. | 117121 Domain Blvd. | #3202 | Austin | TX | 78758 | 646-623-8967 |

Note: The columns labeled "Territory City" and "Territory State" represent where a franchisee's Territory is located, which in some cases is different than the city and state where the franchisee's office is located. The franchisee's office location is shown in the columns labeled "Business Address," "City," and "State." Franchisees sign a separate franchise agreement for each Territory in which they operate their franchise Business.

**EXHIBIT H-1**
**LIST OF FORMER FRANCHISEES**

**HANDYMAN SOLUTIONS**

## LIST OF FORMER FRANCHISEES AS OF FEBRUARY 3, 2018

John Messall
Aspen Leaf Home Improvement
Aurora, CO
(720) 287-4411
Terminated

Chris Arcuri
March Management Group, Inc.
Jacksonville, FL 32259
(904) 230-7991
Terminated – Still remains for carpet/duct

Indu Vishwakarma
We Fix All, LLC
Suwanee, GA 30024
(770) 375-7974
Terminated

Salman & Beverly Gutterman
New Jersey Handyman, LLC.
Caldwell, NJ 07006
(97) 414-9800
Terminated 2 territories NJ – Still remains in garage

Steve Guccarido
Creative Handyman, LLC.
Brooklyn, NY 11220
(718) 921-6900
Terminated -Still remains for carpet/duct

Juan Pena
Trinity Handyman Solutions, LLC.
Columbia, SC 29210
(803) 708-5758
Terminated

Robert Stanton
MSG Custom, LLC.
Lamarque, TX 77568
(409) 356-3145
Terminated

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

**EXHIBIT I**

**STATE ADDENDA AND AGREEMENT RIDERS**

**SEARS HANDYMAN SOLUTIONS**

## ADDITIONAL DISCLOSURES FOR THE HANDYMAN SOLUTIONS FRANCHISE DISCLOSURE DOCUMENT OF SEARS HOME & BUSINESS FRANCHISES, INC.

The following are additional disclosures for the Handyman Solutions Franchise Disclosure Document of SEARS HOME & BUSINESS FRANCHISES, INC. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA**

1. The following language is added to the end of Item 3 of the Disclosure Document:

Neither we nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78 et seq., suspending or expelling this person from membership in such association or exchange.

2. The following language is added to the "Remarks" section of the line item entitled, "Interest on Late Payments," of Item 6, to the end of Footnote 1 in Item 7 and to the end of the first paragraph of Item 10 of the Disclosure Document:

The highest interest rate allowed in California is 10% annually.

3. Item 17 of this Disclosure Document will be amended by adding the following paragraphs to the end of the chart:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A., section 101 et seq.).

The Franchise Agreement contains 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 requires binding arbitration. The arbitration will be conducted in Chicago, Illinois, at a suitable location chosen by the arbitrator, with the costs being paid equally by the parties and each party is responsible for its own additional costs and attorneys' fees. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as 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 restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws and forum of the state of Illinois. This provision may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If a Franchise Agreement is inconsistent with the law, the law will control.

4. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THIS DISCLOSURE DOCUMENT.

6. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

**MARYLAND**

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled "**Cause" defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, are amended to add the following:

, except that you may bring suit in Maryland for any claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added at the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

**MINNESOTA**

1. **Renewal, Termination, Transfer and Dispute Resolution**. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties, or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

## NORTH DAKOTA

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

> However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the "Summary" section of Item 17(r), entitled **Non-competition covenants after the franchise is terminated or expires**:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The following is added to the end of the "Summary" section of Item 17(u), entitled **Dispute resolution by arbitration or mediation**:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

4. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

> Litigation must be in Illinois, except that, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, the laws of the State of Illinois shall apply.

## RHODE ISLAND

1. The following language is added to the end of "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**:

> Section 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."

**VIRGINIA**

1. The following language is added to the end of the "Summary" sections of Item 17(e), entitled **Termination by Franchisor without cause**, and Item 17(h) entitled **"Cause" defined – non-curable defaults**:

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.

**WASHINGTON**

1. The following paragraph is added at the end of Item 17:

If any of the provisions in this Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document or Franchise Agreement.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT**

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC.**
**HANDYMAN SOLUTIONS FRANCHISE AGREEMENT**
**FOR USE IN MARYLAND**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the "**COMPANY**"), and ________________________________ ________________________________, whose principal address is ________________________________ ________________________________ ("**FRANCHISEE**").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ______________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is domiciled in Maryland, and/or (b) the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located in Maryland. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. **ACKNOWLEDGMENTS**. The following is added to the end of Section 1.A. of the Franchise Agreement:

> To the extent so required by applicable law, these acknowledgments are not intended to act, nor shall they act, as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **RELEASES**. The following is added to the end of Sections 13.C(6) and 14.C of the Franchise Agreement:

> Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY**. The following is added to the end of Section 15(i) of the Franchise Agreement:

> ; however, the COMPANY and FRANCHISEE acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **GOVERNING LAW**. Section 17.G. of the Franchise Agreement is deleted and replaced with the following:

G. **GOVERNING LAW**.

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise and the relationship between the COMPANY and FRANCHISEE shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles; except that (1) any law governing the offer or sale of franchises, business opportunities or similar interests or the relationship between the COMPANY and FRANCHISEE shall not apply unless its jurisdictional requirements are met independently without reference to this Section 17.G., and (2) to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CONSENT TO JURISDICTION**. Section 17.H. of the Franchise Agreement is deleted and replaced with the following:

H. **CONSENT TO JURISDICTION**.

SUBJECT TO SECTION 17.F. ABOVE AND THE PROVISIONS BELOW, THE COMPANY AND FRANCHISEE (AND ITS OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND THE COMPANY MUST BE COMMENCED IN STATE OR FEDERAL COURT IN CHICAGO, ILLINOIS, AND THE COMPANY AND FRANCHISEE (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR FORUM IN THOSE COURTS. NOTWITHSTANDING THE FOREGOING, FRANCHISEE MAY BRING AN ACTION IN MARYLAND FOR CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

7. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 17.M. of the Franchise Agreement:

**; PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.,**

a Delaware corporation

By: ______________________________
Name: ____________________________
Title: _____________________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

___________________________________
[Name]

By: ______________________________
Name: ____________________________
Title: _____________________________

**(If individuals):**

___________________________________
[Signature]

___________________________________
[Print Name]

___________________________________
[Signature]

___________________________________
[Print Name]

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC. HANDYMAN SOLUTIONS FRANCHISE AGREEMENT FOR USE IN MINNESOTA**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the **"COMPANY"**), and ______________________________ ______________________________, whose principal address is ______________________________ ______________________________ (**"FRANCHISEE"**).

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ______________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. **RELEASES**. The following is added to the end of Section 13.C(6) and Section 14.C of the Franchise Agreement:

> Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **RENEWAL AND TERMINATION**. The following is added to the end of Sections 14 and 15 of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, the COMPANY will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that FRANCHISEE be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **INJUNCTIVE RELIEF**. Section 17.C of the Franchise Agreement is deleted and replaced with the following:

> C. **INJUNCTIVE RELIEF**.
>
> Notwithstanding anything to the contrary contained in Section 17.F, the COMPANY and FRANCHISEE each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that the parties shall contemporaneously submit their dispute for arbitration on the merits in accordance with Section 17.F. FRANCHISEE agrees that the COMPANY may seek such temporary or preliminary injunctive relief, but upon due notice, and

FRANCHISEE's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly had, and FRANCHISEE hereby expressly waives any claim for damages caused by such injunction.

5. **GOVERNING LAW**. Section 17.G of the Franchise Agreement is deleted and replaced with the following:

G. **GOVERNING LAW**.

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise and the relationship between the COMPANY and FRANCHISEE shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles; except that (1) any law governing the offer or sale of franchises, business opportunities or similar interests or the relationship between the COMPANY and FRANCHISEE shall not apply unless its jurisdictional requirements are met independently without reference to this Section 17.G., and (2) nothing in this Agreement will abrogate or reduce any of FRANCHISEE's rights under Minnesota Statutes Chapter 80C or FRANCHISEE's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **CONSENT TO JURISDICTION**. Section 17.H of the Franchise Agreement is deleted and replaced with the following:

H. **CONSENT TO JURISDICTION**.

SUBJECT TO SECTION 17.F ABOVE AND THE PROVISIONS BELOW, THE COMPANY AND FRANCHISEE (AND ITS OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND THE COMPANY MUST BE COMMENCED IN STATE OR FEDERAL COURT IN CHICAGO, ILLINOIS, AND THE COMPANY AND FRANCHISEE (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR FORUM IN THOSE COURTS. NOTWITHSTANDING THE FOREGOING, MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT THE COMPANY, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA. NOTHING IN THIS AGREEMENT SHALL ABROGATE OR REDUCE ANY OF FRANCHISEE'S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR FRANCHISEE'S RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

7. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. To the extent required by the Minnesota Franchises Law, Section 17.I of the Franchise Agreement is deleted.

8. **DAMAGES**. The following language is added to the end of Section 17.J of the Franchise Agreement:

> The COMPANY and FRANCHISEE acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, the COMPANY and FRANCHISEE agree to enforce the provision to the extent the law allows.

9. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 17.M of the Franchise Agreement:

> **; PROVIDED, HOWEVER, THAT MINNESOTA LAW PROVIDES THAT NO ACTION MAY BE COMMENCED UNDER MINN. STAT. SEC. 80C.17 MORE THAN THREE (3) YEARS AFTER THE CAUSE OF ACTION ACCRUES.**

**[The remainder of this page is intentionally left blank.]**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.,**

a Delaware corporation

By: ______________________
Name: ______________________
Title: ______________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

______________________
[Name]

By: ______________________
Name: ______________________
Title: ______________________

**(If individuals):**

______________________
[Signature]

______________________
[Print Name]

______________________
[Signature]

______________________
[Print Name]

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC. HANDYMAN SOLUTIONS FRANCHISE AGREEMENT FOR USE IN NORTH DAKOTA**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the "**COMPANY**"), and ______________________________, whose principal address is ______________________________ ("**FRANCHISEE**").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ______________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is a resident of North Dakota and the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. **RELEASES**. The following is added to the end of Sections 13.C(6) and 14.C of the Franchise Agreement:

> Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE**. The following is added to the end of Section 13.C(9) and 14.C of the Franchise Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, the COMPANY will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION**. The first paragraph of Section 17.F of the Franchise Agreement is amended to read as follows:

> F. **ARBITRATION**.
>
> The COMPANY and FRANCHISEE agree that all controversies, disputes, or claims between the COMPANY and its affiliates (and the COMPANY's and its affiliates' respective shareholders, members, officers, directors, agents, and/or employees) and FRANCHISEE (and/or FRANCHISEE's owners, guarantors, affiliates, and/or employees) arising out of or related to:
>
> (1) this Agreement or any other agreement between the COMPANY (or its affiliates) and FRANCHISEE (or FRANCHISEE's owners);

(2) the COMPANY's relationship with FRANCHISEE;

(3) the scope or validity of this Agreement or any other agreement between FRANCHISEE (or FRANCHISEE's owners) and the COMPANY (or its affiliates) or any provision of any such agreements (including the validity and scope of the arbitration obligation under this Section 17.F., which the COMPANY and FRANCHISEE acknowledge is to be determined by an arbitrator, not a court); or

(4) any System Standards;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location within Chicago, Illinois, chosen by the arbitrator; provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which the COMPANY and FRANCHISEE mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The decision of the arbitrator shall be final and binding upon each party and may be enforced in any court of competent jurisdiction.

5. **GOVERNING LAW**. Section 17.G of the Franchise Agreement is deleted and replaced with the following:

G. **GOVERNING LAW**.

All matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, and except as otherwise required by North Dakota law, this Agreement, the Franchise and the relationship between the COMPANY and FRANCHISEE shall be governed by the laws of the State of Illinois, without regard to its conflicts of laws principles; provided, however that any law governing the offer or sale of franchises, business opportunities or similar interests or the relationship between the COMPANY and FRANCHISEE shall not apply unless its jurisdictional requirements are met independently without reference to this Subsection.

6. **CONSENT TO JURISDICTION**. Section 17.H of the Franchise Agreement is deleted and replaced with the following:

H. **CONSENT TO JURISDICTION**.

SUBJECT TO SECTION 17.F ABOVE AND THE PROVISIONS BELOW, THE COMPANY AND FRANCHISEE (AND ITS OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN FRANCHISEE AND THE COMPANY MUST BE COMMENCED IN STATE OR FEDERAL COURT IN CHICAGO, ILLINOIS, AND THE COMPANY AND FRANCHISEE (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR FORUM IN THOSE COURTS. NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO FRANCHISEE'S ARBITRATION OBLIGATIONS, FRANCHISEE MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

7. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. To the extent required by the North Dakota Franchise Investment Law, Section 17.I of the Franchise Agreement is deleted.

8. **DAMAGES**. The following language is added to the end of Section 17.J of the Franchise Agreement:

The COMPANY and FRANCHISEE acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, the COMPANY and FRANCHISEE agree to enforce the provision to the extent the law allows.

9. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Subsection 17.M of the Franchise Agreement:

**THE STATUTE OF LIMITATIONS UNDER NORTH DAKOTA LAW APPLIES WITH RESPECT TO CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.**

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Rider as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.,**

a Delaware corporation

By: ______________________________
Name: ____________________________
Title: _____________________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

___________________________________
[Name]

By: ______________________________
Name: ____________________________
Title: _____________________________

**(If individuals):**

___________________________________
[Signature]

___________________________________
[Print Name]

___________________________________
[Signature]

___________________________________
[Print Name]

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC.**
**HANDYMAN SOLUTIONS FRANCHISE AGREEMENT**
**FOR USE IN RHODE ISLAND**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the "**COMPANY**"), and ________________________________ ________________________________, whose principal address is ________________________________ ________________________________ ("**FRANCHISEE**").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ________________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is domiciled in Rhode Island and the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. **GOVERNING LAW/CONSENT TO JURISDICTION**. The following language is added to the end of Sections 17.G and 17.H of the Franchise Agreement:

> Section 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."

**[The remainder of this page is intentionally left blank.]**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider as of the Agreement Date.

| | |
|---|---|
| **SEARS HOME & BUSINESS FRANCHISES, INC.,** | **FRANCHISEE** |
| a Delaware corporation | **(If corporation, limited liability company or partnership):** |
| By: ______________________<br>Name: ____________________<br>Title: _____________________ | ______________________________<br>[Name] |
| | By: ______________________<br>Name: ____________________<br>Title: _____________________ |
| | **(If individuals):** |
| | ______________________________<br>[Signature] |
| | ______________________________<br>[Print Name] |
| | ______________________________<br>[Signature] |
| | ______________________________<br>[Print Name] |

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC.**
**HANDYMAN SOLUTIONS FRANCHISE AGREEMENT**
**FOR USE IN VIRGINIA**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the **"COMPANY"**), and ______________________________ ______________________________, whose principal address is ______________________________ ______________________________ (**"FRANCHISEE"**).

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ____________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is domiciled in Virginia and the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located in Virginia; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Virginia. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

2. **TERMINATION OF FRANCHISE BY THE COMPANY**. The following language is added to the end of Section 15(k) of the Franchise Agreement:

> 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 this 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.

**[The remainder of this page is intentionally left blank.]**

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.,**

a Delaware corporation

By: ______________________________
Name: ____________________________
Title: _____________________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

__________________________________
[Name]

By: _______________________________
Name: _____________________________
Title: ______________________________

**(If individuals):**

__________________________________
[Signature]

__________________________________
[Print Name]

__________________________________
[Signature]

__________________________________
[Print Name]

**RIDER TO THE SEARS HOME & BUSINESS FRANCHISES, INC. HANDYMAN SOLUTIONS FRANCHISE AGREEMENT FOR USE IN WASHINGTON**

**THIS RIDER** (this "**Rider**") by and between **SEARS HOME & BUSINESS FRANCHISES, INC.**, a Delaware corporation, with a principal office at 8472 Cotter Street, Lewis Center, Ohio 43035 (the "**COMPANY**"), and ____________________________ ____________________________, whose principal address is ____________________________ ____________________________ ("**FRANCHISEE**").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Handyman Solutions Franchise Agreement dated ______________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is domiciled in Washington; and/or (b) the BUSINESS that FRANCHISEE will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

1. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in FRANCHISEE's relationship with the COMPANY, including the areas of termination and renewal of FRANCHISEE's franchise. There might also be court decisions which supersede this Agreement in FRANCHISEE's relationship with the COMPANY, including termination and renewal of FRANCHISEE's franchise.

In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be, but only if required by the Act (to the extent such requirement is not preempted by the Federal Arbitration Act), in the State of Washington, or in a place mutually agreed upon by the parties at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by FRANCHISEE shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise 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, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

To the extent required by the Act, transfer fees are collectable to the extent that they reflect the COMPANY's reasonable estimate or actual costs in effecting a transfer.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider as of the Agreement Date.

**SEARS HOME & BUSINESS FRANCHISES, INC.,**

a Delaware corporation

By: ____________________________
Name: __________________________
Title: ___________________________

**FRANCHISEE**

**(If corporation, limited liability company or partnership):**

________________________________
[Name]

By: ____________________________
Name: __________________________
Title: ___________________________

**(If individuals):**

________________________________
[Signature]

________________________________
[Print Name]

________________________________
[Signature]

________________________________
[Print Name]

**EXHIBIT J**

**RECEIPTS**

**SEARS HANDYMAN SOLUTIONS**

## RECEIPT
## (OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sears Home & Business Franchises, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Sears Home & Business Franchises, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give 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 Sears Home & Business Franchises, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law 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 franchisor is Sears Home & Business Franchises, Inc., 400 Lazelle Road, Suite 13, Columbus, Ohio 43240, Tel: (614) 883-6201. The franchise seller for this offering is:

| | | |
|---|---|---|
| ❑ Jeff Peppernev<br>Sears Home & Business Franchises, Inc.<br>400 Lazelle Road, Suite 13<br>Columbus, Ohio 43240<br>(614) 883-6201 | ❑ ______________________<br>Sears Home & Business Franchises, Inc.<br>400 Lazelle Road, Suite 13<br>Columbus, Ohio 43240<br>(614) 883-6201 | ❑ Name of Franchise Seller:<br>______________________<br>Principal Business Address:<br>______________________<br>______________________<br>Telephone No.: __________ |

Issuance Date: June 8, 2018.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated June 8, 2018, that included the following Exhibits:

| | | | |
|---|---|---|---|
| A | List of State Agencies/Agents for Service of Process | F | Sample General Release |
| | | G | Business Manual Table of Contents |
| B | Financial Statements | H | List of Franchisees |
| C | Franchise Agreement | H-1 | List of Franchisees Who Left the System |
| D | Conversion Addendum | I | Additional Disclosures/Agreement Riders |
| E | Representations and Acknowledgment Statement | J | Receipts |

| | | |
|---|---|---|
| ______________ | ______________ | ______________ |
| Date | Signature | Printed Name |

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail, facsimile or e-mail, to Steve Cohen, Sears Home & Business Franchises, Inc., 400 Lazelle Road, Suite 13, Columbus, Ohio 43240. Phone: (614) 883-6201, Facsimile: (614) 883-6222, E-mail: steve.cohen@searsfranchises.com.

## RECEIPT
## (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Sears Home & Business Franchises, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Sears Home & Business Franchises, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give 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 Sears Home & Business Franchises, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law 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 franchisor is Sears Home & Business Franchises, Inc., 400 Lazelle Road, Suite 13, Columbus, Ohio 43240, Tel: (614) 883-6201. The franchise seller for this offering is:

| | | |
|---|---|---|
| ☐ Jeff Peppemey<br>Sears Home & Business Franchises, Inc.<br>400 Lazelle Road, Suite 13<br>Columbus, Ohio 43240<br>(614) 883-6201 | ☐ ______________________<br>Sears Home & Business Franchises, Inc.<br>400 Lazelle Road, Suite 13<br>Columbus, Ohio 43240<br>(614) 883-6201 | ☐ Name of Franchise Seller:<br>______________________<br>Principal Business Address:<br>______________________<br>______________________<br>Telephone No.: ____________ |

Issuance Date: June 8, 2018.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated June 8, 2018, that included the following Exhibits:

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| E | Representations and Acknowledgment Statement | I | Additional Disclosures/Agreement Riders |
| | | J | Receipt |

______________________ ______________________ ______________________

Date Signature Printed Name

KEEP THIS COPY FOR YOUR RECORDS.