Franchise Disclosure Document
Stanley Convergent Security Solutions, Inc.
a Delaware corporation
8350 Sunlight Drive
Fishers, Indiana 46037
(317) 567-6810
www.sonitrol.com
Julie.Beach@sbdinc.com

Brief Description of the Franchised Business: Stanley Convergent Security Solutions, Inc. offers its existing Renewing Type A franchisees, who meet the requirements for renewal, the right to renew their franchise agreements for a term of 15 years. Renewing Type A franchisees own and operate a Sonitrol business involving the sale and installation of integrated security systems.

The total investment necessary to continue the operation of a Sonitrol Renewing Type A franchise ranges from $50,000 to $223,200. This includes the $0 to $120,000 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Julie Beach, Vice President, Sonitrol, Stanley Convergent Security Solutions, Inc., 8350 Sunlight Drive, Fishers, Indiana 46037.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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: May 6, 2022, as amended June 13, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit J.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Sonitrol business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sonitrol franchisee?	Item 20 or Exhibit J lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit L.

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the franchisor in Delaware than in your own state.

2. **Inventory Control.** You must make inventory and supply purchases of at least $10,000 each year even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

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

DISCLOSURES REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchisee prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such a 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 five 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 the franchi**sor's intent not to renew the** franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in a manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

The Michigan Franchise Investment Law also provides:

A franchisor whose most recent financial statements are unaudited and which show a net worth of less than One Hundred Thousand Dollars ($100,000) shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in the place of escrow.

The escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor that amount of the escrowed funds applicable to a specific franchisee upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training or other items. This sub-section does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

Franchisees should direct any questions concerning this offering to:

Assistant Attorney General
Consumer Protection Division, Franchise Section
G. Mennen Williams Building, First Floor
525 West Ottawa Street
Lansing, MI 48933
517-335-7567

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ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Stanley Convergent Security Solutions, Inc.

The franchisor is Stanley Convergent Security Solutions, Inc., a Delaware corporation (referred to in this disclosure document as "Stanley Convergent," "we", "us" or "our"). We conduct business under our corporate name and under the name Sonitrol. Our principal business address is 8350 Sunlight Drive, Fishers, Indiana 46037. For purposes of this disclosure document, "you" means the person who buys the franchise. If you acquire a Sonitrol franchise through a corporation, limited liability company, partnership or other business entity, the word "you" also includes the owners of that entity. Our agents for service of process are listed in Exhibit M. If your state is not listed in Exhibit M, our agent for service of process is Stanley Convergent Security Solutions, Inc., Attn: Julie Beach, 8350 Sunlight Drive, Fishers, Indiana 46037.

Description of Our Business

We own, operate and franchise Sonitrol businesses (referred to in this disclosure document as a "Sonitrol Business" or, if more than one, "Sonitrol Businesses"). Sonitrol Businesses are operated under uniform and distinctive methods, plans, standards, specifications and systems, which are periodically modified by us (referred to in this disclosure document as the "Sonitrol Program"), and are identified by the trademarks, service marks, trade names, emblems, signs, slogans, insignia and copyrights designated by us for use in connection with the Sonitrol Program (referred to in this disclosure document as the "Sonitrol Marks").

Background and Franchise History

We, or our predecessors, have offered franchises for sale similar to the Renewing Type A franchise that you will operate since approximately 1965, and since 2008, we have operated the type of security and alarm system business that you will operate. In addition, we sell non-Sonitrol security products and services that Sonitrol franchisees may not be permitted to sell. We also provide monitoring services to Sonitrol franchisees that do not have central monitoring station capabilities or who ask us to provide monitoring services to their Subscribers.

While we do not currently offer, nor have we in the past offered, franchises in any other line of business, in the past we did offer other security and alarm systems franchises. From 2009 until 2019, we offered our existing Sonitrol Type B franchisees the right to renew their Type B franchise agreements. We no longer offer a Type B franchise, and there are no remaining Type B franchisees. From 2009 until the end of 2020, we offered a security and alarm system franchise known as a Sonitrol New Type A franchise. While we longer offer the New Type A franchise, there is one remaining New Type A franchisee.

The Renewing Type A franchise is offered only to existing Renewing Type A franchisees. We do not offer the Renewing Type A franchise to new franchisees. Renewing Type A franchisees must sign the form of Renewing Type A franchise agreement attached as Exhibit B to this disclosure document (referred to in this disclosure document as a "Franchise Agreement" and if more than one, as "Franchise Agreements").

General Description of the Sonitrol Franchise

You will be granted a territory in which to operate your Sonitrol Business (the "Territory"). The Territory is a specific geographic boundary defined by zip codes. As a Sonitrol franchisee, you will lease or sell security systems and other security products and alarm systems using our proprietary products (referred to in this disclosure document as "Sonitrol Products") and services (collectively with Sonitrol

Products, the “Sonitrol Products and Services”) to residential and commercial customers, who are referred to individually as a “Subscriber”, and if more than one, as “Subscribers.” Subscribers sign contracts in a form that we provide to you (individually, a “Subscriber Contract”, and if more than one, “Subscriber Contracts”). Each account with a Subscriber is a “Subscriber Account” (if more than one, referred to in this disclosure document as, “Subscriber Accounts”). You will install, service and repair your Subscriber’s security and alarm systems. You may monitor, or contract with us, or another franchisee approved by us, to monitor your Subscriber’s security and alarm systems. Under certain circumstances, you may offer and sell products that are complementary to the Sonitrol Products and Services (referred to in this disclosure document as “Complementary Products and Services”).

The types of Sonitrol Products and Services you will sell include:

- **Intrusion Detection.** Sound activated sensors transmit the sounds of the intrusion over telephone, IP or cellular, to a central monitoring station, where they are interpreted by a trained operator. Alternative conventional detectors and sensors are also available with this system depending upon the specific application needed.

- **Access Control.** Individuals authorized to enter restricted areas pass through a control door that is tied to an integrated system connected to a central monitoring station. After the on-site control panel and programming determine that the individual is authorized to enter that location at that time, it grants access. Local access control systems can also be provided for subscribers who wish to manage their own system.

- **mySonitrol.net.** This is a web-based security management tool providing customers with one-stop access to vital security and access control information. Working in conjunction with the SONIP™ monitoring platform, customers are able to view the latest alarm activity or dispatches from any of their facilities, check when their systems were armed or disarmed, review and update detailed access control information, and view actual video of their facilities via web-enabled cameras.

- In addition to the Sonitrol Products and Services described above, you may offer your customers the following products and services:

- **Video Services (SonaVision®).** Three types of services are included in our SonaVision® line, designed to enhance CCTV surveillance technology. These services include – digital recording and storage of video images, remote video management, and video alarm verification into the central monitoring station.

- **Fire Detection.** Fire and smoke detectors are connected to approved fire control panels and each detector is monitored by the central station operators in accordance with local, state and federal regulations. Sonitrol offers fire control panels manufactured by a third party.

The intrusion detection Sonitrol Products and Services that you will be authorized to sell are impact-activated audio alarm systems, consisting of a custom-engineered configuration of audio sensors, control panels, and other devices that are installed on the Subscriber’s premises. When the audio sensors are activated, they transmit the sounds of intrusion over telephone lines or Internet protocol or cellular to a central monitoring station, where a central station operator interprets the sounds. If the operator determines the sounds to be threatening, the appropriate authorities are immediately contacted. If the activation was caused by a non-threatening situation (such as a loud passerby or excessive road traffic), the operator resets the system. This feature is unique to Sonitrol and results in a reduced rate of false alarms, which is an area of concern to the law enforcement community, the security industry and Subscribers. This is particularly important in areas that have enacted false alarm ordinances.

Central Monitoring Station

In order to monitor your Subscriber Accounts, you have the option of purchasing a central monitoring station system that we or our designee manufacture(s), or, you may have us or another Sonitrol franchisee approved by us monitor your Subscriber Accounts.

Sonitrol and Sonitrol franchisees enjoy strong relationships with police departments across the country. The ability to hear and provide intelligence as to what is transpiring at a Subscriber's premises affords the operator the ability to keep police informed with up-to-the-minute information about the incident. This information might include the exact location of an intrusion, a suspect's movements, the number of suspects involved, and other details as they occur. Since 1977, when we first began compiling information on apprehensions, Sonitrol franchisees and company-owned operations have been responsible for the apprehension of over 182,704 intruders.

Parents, Affiliates and Predecessors

Stanley Black & Decker, Inc., having a principal business address of 1000 Stanley Drive, New Britain, Connecticut 06053, is our indirect parent company and the indirect parent company of our affiliate, Stanley Industrial & Automotive, LLC, which also has a principal business address of 1000 Stanley Drive, New Britain, Connecticut 06053.

Stanley Industrial & Automotive, LLC has offered Mac Tools franchises throughout the United States since December 2013. Its predecessors offered Mac Tools franchises in the state of Kentucky from March 2007 until November 2011 and throughout the United States from November 2011 until December 2013. A Mac Tools franchise involves the mobile distribution of professional hand tools and equipment to professional mechanics. As of the date of Stanley Industrial & Automotive, LLC's most recent fiscal year end (January 1, 2022), there were 751 Mac Tools franchisees in the United States.

Our affiliate, Mac Tools Canada Inc., having a principal business address of 6275 Millcreek Drive, Mississauga, Ontario L5N 7K6, has offered Mac Tools franchises in Canada since 2012. As of February 22, 2022, there were 131 Mac Tools distributors and franchisees in Canada.

Stanley Black & Decker, Inc., Stanley Industrial & Automotive, LLC and Mac Tools Canada Inc. do not offer, nor have they ever offered, franchises providing the type of business that you will operate. They do not conduct, nor have they ever conducted, the type of business that you will operate.

There are no predecessors that are required to be disclosed in this disclosure document.

Market and Competition

The market for security and alarm systems is well developed, and competition is significant and has increased over the past several years. Sonitrol Products and Services are generally considered to be "high-end" security products and because of this, you may face price competition from other security alarm companies that may restrict your ability to compete in low-risk, price-sensitive markets. The general market for Sonitrol Products and Services consists of commercial customers such as schools, warehouses, retail stores and high value establishments like jewelry stores and pawnshops. The sale of Sonitrol Products and Services is a year-round business, without seasonality. You will compete with other companies in the security industry that offer a range of security alarm products and services and which may have outlets that are local, regional, or national in scope. You may also have to compete with Sonitrol franchisees with locations outside of your Territory who may have the right to sell to potential Subscriber Accounts within your Territory. We may have the right to sell Sonitrol Products and Services within your Territory, directly or through others, to the U.S. Government and to certain national chain account Subscribers (referred to individually as a "National Account Subscriber", and if more than one, "National Account Subscribers"). If you are in default under your Franchise Agreement, we may sell Sonitrol Products and Services to potential

Subscribers within your Territory. We have the right to sell non-Sonitrol Products and Services within your Territory to any potential customer.

Laws or Regulations Applicable to the Sonitrol Business

Your Sonitrol Business will be subject to numerous laws and regulations that apply to businesses generally, as well as to laws and regulations that specifically apply to the security and alarm industry. Over the last few years, an increasing number of states, counties and cities have enacted regulations specific to the security and alarm industry. These regulations vary widely across the country. To sell burglar alarm systems, some areas require that the company, its officers, general manager, sales people and alarm installation and service personnel register with the jurisdiction. Other jurisdictions require that alarm company personnel pass tests in order to be certified. In many communities around the country, verification laws related to alarm monitoring have been enacted. Verification laws require the alarm company to take certain affirmative steps to verify a risk of burglary prior to dispatching law enforcement officials. Still other areas require that you employ a licensed electrician and/or journeyman to install your alarm systems. Many jurisdictions have also enacted similar laws and regulations that relate to fire detection. Because laws vary greatly across the country and are changed frequently, we strongly recommend that you consult with an attorney regarding the specific regulations that apply in your area.

Franchise Distributors

We have agreements with three distributors which operate as "subfranchisors" within the territories described in their agreements. These distributors have the right to offer Sonitrol sub-franchises and to enter into a franchise agreement with the franchisee and us. These distributors are required to provide assistance to the franchisee after the sale of the franchise. If you are interested in operating a Sonitrol franchise in northern California, Hawaii, portions of Louisiana, Idaho, Montana, Nevada, Utah and Wyoming, you should contact us as indicated in Item 23 of this disclosure document so that we can assist you in obtaining the proper disclosure document from the appropriate distributor.

ITEM 2. BUSINESS EXPERIENCE

Director and Vice President, Corporate Tax and Treasurer: Michael A. Bartone

Mr. Bartone has served as a member of our Board of Directors since November 2014 and as our Vice President, Corporate Tax and Treasurer since April 2017. Since April 2017, Mr. Bartone has served as Vice President, Corporate Tax and Treasurer of Stanley Industrial & Automotive LLC. He has served as Vice President, Corporate Tax and Treasurer of Stanley Black & Decker, Inc. since April 2017. For each of these positions, Mr. Bartone's place of employment was and is, New Britain, Connecticut.

Chief Financial Officer: Robert Dro

Mr. Dro has served as our Chief Financial Officer, Stanley Electronic Security North America since March 2018. He served as Vice President, Stanley Security Financial Planning and Analysis, for Stanley Security, Stanley Black & Decker, Inc. from July 2017 until March 2018. From October 2015 to July 2017, Mr. Dro held the position of Region Chief Financial Officer (Senior Director), Frito Lay Heartland Region, PepsiCo – Frito Lay, in Oakbrook Terrace, Illinois

Global President of Electronic Security, and President of Stanley Products & Solutions: Matthew Kushner

Since June 2018, Mr. Kushner has served as our Global President of Electronic Security and Stanley Products & Solutions. Mr. Kushner served as President of 3xLogic based in Westminster, Colorado, from July 2013 to June 2018.

President: John Skowronski

Since October 2018, Mr. Skowronski has served as our President. He served as Vice President of Business Development from December 2017 until October 2018, and from July 2017 through December 2018, he held the position of National Account Sales Manager for Stanley Convergent. He was Vice President of Sales and Marketing for NextgenID in the Washington D.C. metro area, from July 2015 until July 2017.

Vice President, Sonitrol: Julie Beach

Since August 2014, Ms. Beach has served as our Vice President of Sonitrol.

General Manager, Stanley Products & Solutions: Brad McMullen

Since September 2019, Mr. McMullen has served as our General Manager of Stanley Products & Solutions, which includes the Sonitrol, 3xLOGIC and PACOM brands. He held the position of Global Vice President of Small, Medium Business Solutions (September 2018 to September 2019), Vice President of Marketing and Product Solutions (April 2017 to September 2018) and Vice President of Sales with Stanley Convergent, in Fishers, Indiana and the greater Indianapolis, Indiana area.

Except as noted above, the location for each person's employment is Fishers, Indiana.

ITEM 3. LITIGATION

Certain Concluded Civil Actions

Care First Pharmacy v. Stanley Convergent Security Solutions, Inc., Case No. 17-DCV-240539, Fort Bend County, Texas, District Court, 240th Judicial District. On March 27, 2017, Care First Pharmacy ("Care First"), a customer of Stanley Convergent Security Solutions, Inc. ("Sonitrol"), filed suit against Sonitrol relating to losses caused by a break-in at Care First's pharmacy location. Care First alleged that Sonitrol's security system failed to work properly and that Care First suffered property damage and loss of property as a result. Care First's claimed that Sonitrol violated the Texas Deceptive Trade Practices – Consumer Protection Act, committed fraud, and breached the parties' contract. Care First sought less than $100,000 in damages, including $20,000 for out of pocket expenses incurred by Care First, an unspecified amount of multiple damages and exemplary damages, and Care First's attorney's fees and court costs. This matter was settled in December 2017, with a $10,000.00 payment by Sonitrol to Care First, without any admission of liability by Sonitrol, and the case was dismissed by the court on January 5, 2018.

Oris Development (Cambie) Corp. vs. Sonitrol Corporation, d.b.a Sonitrol; Sonitrol Franchise Company, LLC, d.b.a Sonitrol; Sonitrol Canada Inc., d.b.a Sonitrol; Sonitrol Distribution Canada Inc., d.b.a Sonitrol; and Joe Wilson, d.b.a Sonitrol and Sonitrol Western Canada, Case No. CHI-S-S-24426, Chilliwack Registry. On May 2, 2012, Oris Development (Cambie) Corp. ("Oris") filed suit against Sonitrol Corporation (doing business as "d/b/a") Sonitrol; Sonitrol Franchise Company, LLC, d/b/a Sonitrol; Sonitrol Canada Inc., d/b/a Sonitrol; Sonitrol Distribution Canada Inc., d/b/a Sonitrol; and Joe Wilson, d/b/a Sonitrol and Sonitrol Western Canada relating to losses due to a fire at a condominium development owned by Oris. The original complaint was never served on the defendants. On April 17, 2013, Oris amended the complaint and subsequently served the defendants. Oris alleges that during construction of a condominium development, after obtaining fire, audio and video security through a franchisee of Sonitrol, Joe Wilson, d/b/a Sonitrol Western Canada, a fire broke out and consumed the buildings. The estimated loss is stated to be approximately $12 million in Canadian dollars. Oris was denied coverage from its insurance carrier due to allegedly not having the proper security system in place, and separately sued its carrier in a coverage action. In this case, Oris claimed that the defendants misrepresented the alarm system and surveillance system and seeks to recover its alleged losses from defendants. The defendants denied all of plaintiff's allegations. This matter was settled in March, 2016 and our portion of the settlement was less than $25,000.

Collections Fine Jewelry v. Stanley Convergent Security Solutions Inc., (Civil Action No. 3:11-cv-03230-N), United States District Court for the Northern District of Texas. On October 25, 2011, Collections Fine Jewelry ("Collections") filed suit alleging that the failure of Stanley Convergent Security Solutions, Inc.'s ("Sonitrol") commercial alarm system led to considerable losses when thieves burglarized Collections' jewelry store located at 708 S. Saginaw Blvd., Saginaw, Texas 76179 on and after October 31, 2009. Collections brought claims against Sonitrol for violations of the Texas Deceptive Trade Practices Act ("DTPA"), civil conspiracy, fraud, negligent misrepresentation, breach of contract, negligence, and gross negligence stemming from a UL certificate provided by Sonitrol. Collections asserted that the alarm system did not meet UL requirements. Collections sought damages for the cost of replacing and/or repairing its premises, replacing its stock and inventory, lost profits and income, and for costs associated with repaying customers for their alleged losses on consignments. Collections also sought statutory damages up to two times actual economic damages under its DTPA claim. This matter was settled in May, 2014, during a mediation conference with a payment by Sonitrol of $800,000.00, and this case was dismissed by the court on July 3, 2014.

The State of Louisiana through the Division of Administration Office of Risk Management and UNO Foundation v. Honeywell International Inc., et al., Civil Action No. 08-6697, Civil District Court for the Parish of Orleans, Louisiana. On June 25, 2008, UNO Foundation ("UNO") and the State of Louisiana through the Division of Administration, Office of Risk Management ("State", and collectively with UNO, the "Plaintiffs"), filed suit alleging Stanley Convergent Security Solutions, Inc., as successor to Honeywell Services Monitoring, a division of Stanley Black & Decker, Inc. ("Sonitrol") failed to properly monitor UNO's high-rise building and timely notify Plaintiffs of a sprinkler activation that flooded the building. UNO is a non-profit corporation that was the sole owner of the building where the incident occurred. Among other claims, in Plaintiffs' Fourth Amended and Supplementing Petition filed August 14, 2012 and in Plaintiffs' Fifth Amended and Supplementing Petition filed April 17, 2013, the Plaintiffs alleged that Sonitrol intentionally failed to abide by the National Fire Protection Association rules, regulations, and statutory laws applicable to fire alarm systems and remote monitoring companies; deceptively and recklessly failed to complete installation and monitoring of the subject premises; and engaged in unspecified false, misleading, or deceptive practices or acts. The Plaintiffs sought monetary relief in a reasonable amount set by the court, together with legal interest from the date of judicial demand until paid, all costs of the proceedings, and all general and equitable relief available. The Plaintiffs originally claimed losses of $5,533,948.28, exclusive of interest, costs, and attorneys' fees. By virtue of the Partial Final Judgment executed by the court on July 25, 2013, Plaintiffs' potential damages were limited to the difference in market value of its building immediately before and after the incident. In effect, $3,936,335.49 in potential damages was eliminated. The defendants denied all of Plaintiffs' allegations. This matter was settled in December, 2014 for $25,000 and was dismissed by the court on March 25, 2015.

Affiliate and Parent Litigation

The following litigation matters relate to our affiliate Stanley Industrial & Automotive, LLC, through its Mac Tools Division, and our indirect parent company, Stanley Black & Decker, Inc., the financials of which are disclosed in this disclosure document and which guarantees our performance under the Franchise Agreements.

Pending Actions

Michael Starke v. Stanley Black & Decker, Inc., Case No. C-03-CV-21-001091, in the Circuit Court for Baltimore County, Maryland. On April 13, 2021, the plaintiff, a consumer, filed a Class Action Complaint asserting claims for violation of the Maryland Consumer Protection Act, breach of express warranty and unjust enrichment. The action seeks a remedy for allegedly deceptive and misleading business practices of the defendant with respect to the marketing and sales of certain of its titanium drill bit and cobalt drill bit products. The matter remains pending.

Injunctions; Restrictive Orders and Decrees

During the first six months of 1999, Stanley entered into consent decrees with the Federal Trade Commission ("FTC") and the States of Connecticut and Missouri, by which Stanley agreed to meet the very latest FTC guidelines for Made in U.S.A. labeling on its mechanics tools. The guidelines require that products may be marked "Made in U.S.A." if, and only if, those products have all or virtually all domestic content. The guidelines were announced by the FTC in December 1997. Almost all of Stanley's products met the guidelines even before they were announced. Immediately following the change in the guidelines, Stanley voluntarily took steps to ensure that all of its products would comply with the change. Those steps had already been taken when the consent decrees were agreed to in 1999, and, as a result, Stanley was not required to make any additional changes.

Except for the matters described 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

You are not required to pay us an initial franchise fee or a renewal fee. If you choose to operate a central monitoring station, you must buy the central monitoring station equipment from us or a supplier designated by us, in an amount up to $120,000.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	Varies; determined for each Renewing Type A Franchisee by dividing: (i) the aggregate amount of royalty fees due under franchisee's existing franchise agreement for the calendar year ending December 31, 2009, by (ii) franchisee's aggregate Gross Revenues for the Applicable Calendar Year.	Payments will be made on a monthly or quarterly basis in advance on the first day of each month or quarter, as applicable.	Royalty rate will not increase more than 0.25% in any calendar year and will never exceed 4.0%. (See Note 1.)
Service Charges on Late Royalty Fee Payments	0.1% per day will be assessed on all Royalty payments not received on the date due.	Immediate.	The amount of interest charged for late Royalty Fee payments will not exceed the maximum amount allowed under state law.
Training Fees	Program fee (if any), costs of travel, living accommodations, and/or wages for personnel.	Upon registration.	
National Accounts Program	13% of Total Contract Value for each National Account system installed. Under certain circumstances, this fee may be reduced to 6.5% or 0%.	Net forty-five (45) days from the date of installation.	Determination of reduced fee will be in accordance with the terms of the Sonitrol Franchise Standards Manual. (See Note 2.)

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	$7,500	When you sell your franchise or ownership interests in the franchise, aggregating at least 50% of all ownership interests.	
Audit Fee	Reasonable cost of audit, including accountant fees, travel, lodging and meal expense for employees or agents to conduct the audit. We estimate the cost of the audit to be $4,000 to $8,000.	Upon invoice.	Payable only if audit shows an understatement of at least 5% of Gross Revenues for any period audited.
Proprietary Product Purchases	Prices will not exceed on an annual basis the cost of the products, plus an aggregate gross margin of fifty-three percent (53%).	Upon invoice.	Must be purchased from us or our designee. (See Note 3.)
Controlled Products	If available only through us, prices will not exceed, on an annual basis, the cost of the products, plus an aggregate gross margin of fifty-three percent (53%).	Upon purchase.	Must be purchased through us, our designees or third party vendors approved by us.
Subscriber Contracts	$0 to $32 per pack of Subscriber Contracts.	Upon purchase.	Subscriber Contracts are available in paper format for $32 per pack or available electronically for no cost. A typical franchisee uses one pack of Subscriber Contracts every three to four months.
Shipping Costs	0 to 4% of the total amount of the purchase price for product purchases.	Upon billing.	You must pay for shipping costs for all products, however, products purchased by you from inventory in our warehouse will be shipped to you at no charge. Shipping costs vary depending on method of shipping that you choose and the products that you buy.
Restocking Fee for Returned Products	15% of purchase price if returned within the first 90 days after shipment and 25% if returned after 90 days.	Upon billing.	

Type of Fee	Amount	Due Date	Remarks
Monitoring Fee	Average is approximately $15 to $20 per Subscriber Account, per month, for basic monitoring.	Monthly, upon billing.	Payable to us if we monitor your Subscriber Accounts. Fees vary according to system type, number of accounts and types of services. (See Note 4.)
Central Monitoring Station Equipment Annual Software License and Service Fees	$9,500 to $13,000 per year, depending on the number of consoles.	Upon invoice.	(See Note 5.)
mySonitrol.net Website Access/Maintenance	$200 setup fee for remote setup or $600/day plus travel for on-site setup; Monthly fee of $200 for subscriber facilities 1 – 500 and $40 for each additional 100 subscriber facilities, capped at $1,200 per month per franchisee control group of two or more legal entities owned by a franchisee or franchisee's affiliate.	Upon invoice.	
SONIP™ Equipment	If applicable, a typical franchisee pays approximately $120,000 for the SONIP™ Equipment and related software. Depending on the number of consoles, a typical franchisee pays approximately $1,000 per month for software licensing and servicing fees associated with the SONIP™ Equipment.	The fee for equipment and related software is due within 30 days of installation. The fee for software licensing and service fees are due annually.	If applicable, in an amount and upon terms decided by us and you. (See Note 6.)
Repair of Central Monitoring Station and Other Proprietary Products	A typical franchisee pays approximately $1,000 to $2,000 annually for repair of its central monitoring station and other Proprietary Products.	Monthly, upon receipt of invoice.	Costs to repair Central Monitoring Station or other Proprietary Products are payable to us if repairs are made by us. Fee amounts are established by us or by a vendor designated by us.
Computer Software and Technical Support Fees	$600/day, plus travel.	Upon invoice.	
Indemnification	Varies depending on the circumstances.	Upon invoice.	Costs and expenses incurred by us to the extent they arise from your breach of agreements with us or other circumstances as described in the Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
Attorneys' fees, costs and expenses and damages	We may recover damages, costs and expenses and attorneys' fees that we incur as a result of your default under the Franchise Agreement, or as a result of our enforcement of the provisions of the Franchise Agreement.	Upon receipt of invoice.	

Except as provided in the following notes, the fees and payments listed above are uniformly imposed by us, collected by us, and payable only to us. Generally, fees and payments are nonrefundable. You may finance all or part of the initial investment, however, we do not make financing available to you. Sonitrol does not collect any payments for a third party.

Note 1: Royalty Fee: The term "Gross Revenues" means all revenue received by you relating to your Sonitrol Business, except for (1) documented refunds, credits and/or allowances that you give in good faith to Subscriber Accounts, and all sales, use, gross receipts or similar taxes on your revenues or receipts (excluding income taxes) that you are legally required to collect from a third party and pay to the appropriate taxing authority; (2) revenues derived directly from any permitted dealer-to-dealer transaction; (3) bad debt/uncollectible charges, sales allowances, coupons and discounts given to customers or employees, to the extent the full retail price was credited to sales revenues and the amount of the discount, charge or allowance was then charged as an expense; and (4) revenues derived from Complementary Products, if you elect to opt out under the Franchise Agreement. You decide at the time you sign the Franchise Agreement if you will pay your royalties monthly or quarterly.

Note 2: National Accounts Program: If you participate in our National Account program (which is described more fully in Item 11 of this disclosure document) (referred to in this disclosure document as the "National Account Program"), and you sell security products and services to a National Account Subscriber, you must pay us 13% of the total contract value for each National Account to compensate us for the costs of operating the National Accounts Program. You may pay a lower fee of 6.5% if you introduced the National Account Subscriber to us and had the predominate business relationship with that National Account Subscriber prior to it becoming a National Account Subscriber, or you may pay no fee if you had a contract with the National Account location at the time the National Account Subscriber became a National Account. If you lease security products to a National Account Subscriber, the amount of the fee that you must pay us for the costs of operating the National Accounts Program will be determined by us and included in our Sonitrol Franchise Standards Manual.

Note 3: Proprietary Product Purchases Fee: Any products approved by Sonitrol for sale, lease or installation in connection with the Sonitrol Business that are proprietary, impact-activated, audio intrusion detection devices and system or integrated central station managed access control products and bear the Sonitrol Marks are referred to as our "Proprietary Products." We will give you a list of these products, and you may buy these products only from us or from suppliers that we designate. We may change this list from time to time as we modify our Proprietary Products or add new products to our Proprietary Product line. Prices paid for Proprietary Products are not typically refunded, but we may refund a portion of the amount paid for Proprietary Products if you return them to us in accordance to our return policy.

Note 4: Monitoring Fee: If you participate in our National Account Program and your Central Monitoring Station does not support "mySonitrol.net", you must transfer the monitoring of the account to us (or to a Sonitrol franchisee approved by us) if the National Account Subscriber requires the use of the mySonitrol.net platform for monitoring its National Account. You must compensate us for providing monitoring services. The current rate is $15 to $20 per Subscriber Account, per month, for basic monitoring,

which may not be increased by more than the percentage increase in monitoring charges applied to the applicable National Account Subscriber.

Note 5: SONIP™ Software License Fees: Software licensing fees for years two through five of your SONIP™ Software License Agreement will not exceed a 10% increase over the prior year's annual licensing fee. We may charge you for any unauthorized use of the SONIP™ software we discover during an inspection of your records and operations.

Note 6: SONIP™ Equipment Fees: If you use SONIP™ equipment in your Sonitrol Business, you must periodically update or replace your equipment. From time to time, we make this replacement or upgraded equipment available to franchisees at a price equal to the then current list price, plus shipping and handling, taxes, and duties and/or assessments levied or imposed with respect to the purchase. You will not, however, be required to expend more than 15% of the original purchase price paid by you for your SONIP™ equipment for each year from the effective date of your SONIP™ Equipment Purchase Agreement until the replacement or upgraded equipment is required to be purchased. If replacement or upgraded equipment is required during the initial one year warranty period for the equipment, the replacement or updated equipment will be provided at no cost to you.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Optional Central Monitoring Station Equipment (See Note 1.)	$0 to $120,000	As Incurred	As Incurred	Sonitrol and other suppliers
Professional Fees (e.g., attorneys' fees and accountant's fees)	$0 to $3,200	As Incurred	As Incurred	Attorneys, Accountants and Other Professionals
Additional Funds: First 9 Months of Operation (See Note 2.)	$50,000 to $100,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, Landlord and Others
Total: (See Note 3.)	$50,000 to $223,200			

All figures in this Item 7 chart are estimates only. Actual amounts will vary for each franchisee and each location depending upon a number of factors. We relied on our experience in owning, operating and franchising Sonitrol Businesses to make these estimates. Generally, none of the amounts presented in this Item 7 chart are refundable. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

Note 1: If you participate in our National Account Program (described in Item 11 of this disclosure document), and assuming the National Account Subscriber does not request that we monitor its account, you may monitor the National Account in one of three ways: (1) You may use your central monitoring station equipment. If you do not have central monitoring station equipment, and would like to buy the equipment, you must buy it from us or a supplier designated by us. If you purchase a new central monitoring station, in addition to signing the SONIP™ Equipment Purchase Agreement, you will be required to sign the SONIP™ Software License Agreement and the SONIP™ Service Agreement; (2) You may contract with us to provide monitoring services to the National Account. If so, monitoring services will be provided in accordance with the terms of your Monitoring Agreement with us; (3) You may contract with another Sonitrol franchisee,

approved by us, to provide the monitoring services. If so, monitoring services will be provided in accordance with our requirements and the terms of your agreement with the other Sonitrol franchisee.

Note 2: This estimates your initial start-up expenses for the first nine (9) months, including payroll costs. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your Sonitrol Business. Your expenses will vary substantially, depending on a number of factors including the location and population of your Territory, your independent business judgment concerning your business needs, your own management skill, economic conditions, competition in your area and other factors. These estimates are based on our management's experience and expertise in the owning, operating and franchising of Sonitrol Businesses.

Note 3: This estimate takes into account fees and expenses that are in addition to the typical fees and expenses that will be incurred by you in continuing the operation of your existing Sonitrol Business.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Proprietary Products

You may sell or lease Proprietary Products to your Subscribers and use them in the operation of your Sonitrol Business. Proprietary Products consist of alarm panels, central monitoring station equipment and related software, spare parts and accessories manufactured either by us or exclusively for us. Proprietary Products are signature products that distinguish us from our competitors. We hold rights to the technology in Proprietary Products. We will provide you with a list Proprietary Products, which we may change from time to time. You must buy Proprietary Products from us or from suppliers designated by us. You may not contract with alternative suppliers for Proprietary Products. Pricing for Proprietary Products will be established, evaluated and modified by us from time to time.

Our legacy central monitoring station (SON^{NT}®) and certain legacy Proprietary Products (SonPlus) operated on an analog-based system. In 2009, we implemented, and made available to franchisees, a digital-based central monitoring station. Franchisees who choose to upgrade their existing central monitoring station are required to purchase the new digital-based central monitoring station (SONIP™).

Controlled Products

You may sell or lease Controlled Products to your Subscribers and use them in the operation of your Sonitrol Business. Controlled Products consist of products that are an integral part of, and necessary for the proper functioning of, the Sonitrol Products and Services, but that are not manufactured by us or exclusively for us. We do not own proprietary rights to Controlled Products. We will provide you with a list of Controlled Products, which we may change from time to time. Pricing for Controlled Products will be established, evaluated and modified by us from time to time. You must buy Controlled Products from us or from suppliers designated by us. A supplier who maintains a listing with Underwriters' Laboratory for Controlled Products manufactured by the supplier will be presumed to meet our standards for suppliers of Controlled Products. If you would like to contract with alternative suppliers for Controlled Products, at your expense, you must submit a request to us, which must include sufficient specifications, photographs, or other information or samples for examination and testing, so that we may determine whether the proposed supplier and product meets our requirements. Unless the product is listed with Underwriters' Laboratory, you must reimburse us for costs that we incur in connection with this examination, testing and inspection. Any proposed supplier must be able to meet our standards and specifications for each Controlled Product, and possess adequate quality control and capacity to supply your needs promptly and reliably. We may revoke a supplier's approval, and if so, we will notify you. We typically approve or disapprove of a supplier within 120 days after your request for supplier approval is provided to us. We do not make our criteria for approving suppliers available to franchisees.

Non-Proprietary Products

You may sell or lease Non-Proprietary Products to your Subscribers and use them in the operation of your Sonitrol Business, provided you do so in accordance with your Franchise Agreement. Non-Proprietary Products consist of products that are not Proprietary Products or Controlled Products and are not manufactured by or for us for exclusive sale to our franchisees. We will provide you with a list of approved Non-Proprietary Products, which we may change from time to time. Non-Proprietary Products may be available through one or more suppliers, including us, and you may purchase Non-Proprietary Products from any supplier.

If you wish to purchase a Non-Proprietary Product that has not been previously approved by us, you may do so only if (1) the product is functionally equivalent to an approved Non-Proprietary Product, (2) the supplier of the non-approved product possesses adequate capacity to supply your needs in the quantities and with the reliability required for the efficient operation of your Sonitrol Business, and (3) the products fully integrate with and do not in any way impair the functioning of any of the Proprietary Products, Controlled Products or other Non-Proprietary Products.

Complementary Products and Services

If you have not exercised the right under your Franchise Agreement to opt-out of the lease or sale of Complementary Products and Services under the Sonitrol name and Sonitrol Marks, you may sell or lease Complementary Products and Services using the Sonitrol Marks to your Subscribers and in the operation of your Sonitrol Business. Complementary Products and Services are products and services which are: (1) related to the security industry, access control (managed or otherwise), fire alarm, video (closed circuit television) and/or alarm systems and that do not involve the use of any Proprietary Products, other than those contained in the central monitoring station; (2) not competitive with the Sonitrol System; and (3) not materially detrimental or harmful to the Sonitrol System. If you opt out under your Franchise Agreement, you may not lease or sell Complementary Products and Services using the Sonitrol Marks or use them in your Sonitrol Business, rather, you may only lease or sell Complementary Products and Services without reference to the Sonitrol Marks if you set up a separate entity to do so and the products and services are not competitive with Sonitrol Products and Services. Additional requirements for the sale of Complementary Products and Services may be set out in the Manuals. We will provide you with a list of Complementary Products and Services, which we may change from time to time. You may purchase Complementary Products from any supplier, which may include us. If you would like to purchase, sell or use Complementary Products not previously approved by us, you may do so if (1) the product will not materially harm the Sonitrol Marks or the Sonitrol System, (2) the product is not competitive with the Sonitrol System, (3) the product is not integrated into the Sonitrol System, and (4) you obtain our prior written consent. You must submit your proposed Complementary Product to us and pay us any expenses that we incur to test, examine and inspect the proposed product.

Subscriber Contract Forms

You are required to use Subscriber Contracts in the forms we prescribe. The Subscriber Contracts must be purchased from us and no other source.

Website Development and Hosting

You are required to have Internet access and an Internet website for your Sonitrol Business. Your website is subject to our review and approval. We maintain a password protected website at www.sonitrol.com which contains information for use by the general public regarding Sonitrol security systems and products. We also maintain a website at www.mySonitrol.net, which contains non-public information about Subscribers that can only be accessed by you, the Subscriber and us. This information includes the Subscriber's identifying information, a description of the Subscriber's locations and the type of security services provided to the Subscriber. Through use of this website, Subscribers are able to view the latest alarm activity or dispatches from any of the Subscriber's locations, check when their systems were

armed or disarmed, review and update detailed access control information, and view actual video of their locations via web-enabled cameras.

We charge you a monthly fee for each Subscriber location associated with your Sonitrol Business for use of mySonitol.net by you and your Subscribers. If you have 500 or fewer Subscriber locations, the fee is $200. For every 100 Subscriber locations in excess of 500, you must pay us an additional fee of $40, however, the monthly fee will not exceed $1,200 for each franchisee control group of two or more legal entities owned by a franchisee or franchisee's affiliate. We charge you a fee for setting up mySonitrol.net of $600 per day for on-site setup and $200 per day for virtual set up. You may charge your Subscribers an access fee for their use of mySonitrol.net. You are required to sign a mySonitrol.net Agreement in the form of Exhibit H to this disclosure document, which governs your use of the mySonitrol.net website. We have the right to change or discontinue use of the website.

Central Monitoring Station

If you choose to monitor your Subscriber Accounts by using a central monitoring station, you must buy the central monitoring station from us or a supplier designated by us. When purchasing your central monitoring station, you must sign the SONIP™ Equipment Purchase Agreement (included as Exhibit E to this disclosure document). Your central monitoring station must at all times be equipped with the hardware needed to operate the station. In your central monitoring station, you must utilize our latest monitoring software known as SONIP™, which is powered by Microsoft Windows and you must sign our SONIP™ Software License Agreement (included as Exhibit F to this disclosure document). SONIP™ software may only be used in the manner and with the equipment permitted by us. We may further develop custom-designed and licensed software for use in central monitoring stations, and if so, we may require you to use this software in accordance with our specifications and standards. If you use a central monitoring station, you must provide monitoring services in accordance with our specifications and standards, and you must sign our SONIP™ Service Agreement (included as Exhibit G to this disclosure document).

Sources of Supply for Other Products

Other than as discussed above, there are no restrictions on your sources of supply for equipment, products or supplies that you will need in the operation of your Sonitrol Business. You may purchase office furnishings, stationery, signs, non-central station computer equipment and software, Non-Proprietary Products, non-Controlled Products, Complementary Products, motor vehicles, tools and similar products from suppliers of your choice. However, you must comply with our graphic standards for the Sonitrol Marks. You must operate your Sonitrol Business in compliance with our Sonitrol Franchise Standards Manual, Graphic Standards Manual, and National Accounts Guide (collectively, the "Manuals"), copies of which we will loan to you.

Purchase Arrangements, Rebates and Revenue Derived by Sonitrol from Sales to Franchisees

Certain suppliers of products to Sonitrol franchisees pay us fees or rebates calculated as a percentage of either the net revenue or purchase price received by the supplier from franchisees for product purchases.

Although we are not required by the Franchise Agreement to do so, from time to time we negotiate special purchasing and pricing arrangements with suppliers for the benefit of our franchisees. We will advise you of these special arrangements so that you may decide whether you wish to take advantage of them. We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers. There are no purchasing or distribution cooperatives required to be disclosed in this disclosure document. None of our officers own an interest in any non-Sonitrol supplier listed in Item 8.

We estimate that approximately 50% of all of your purchases of security products and equipment in establishing your Sonitrol Business and approximately 50% of all or your purchases of security products and equipment on an ongoing basis will be required purchases of Proprietary Products and Subscriber

Contract forms from us. The remaining 50% of your security products and equipment purchases will be from suppliers designated by us.

We derive revenue from your purchases of inventory and equipment from us. We received $5,408,938 during 2021 for the sale or lease of equipment and inventory to Sonitrol franchisees which revenue is included on the financial statements of our indirect parent company Stanley Black & Decker, Inc. ("SBDI"). SBDI had total revenues of $15,617,155,606 during its 2021 fiscal year. SBDI received revenues from required purchases by Sonitrol franchisees during 2021 of $10,504,640 via an intercompany transfer by us to SBDI. The percentage of SBDI's total revenues represented by required purchases by Sonitrol franchisees in fiscal year 2021 was .0007%. We had total revenues of $10,504,640 during our 2021 fiscal year. The percentage of our total revenues represented by required purchases by Sonitrol franchisees in fiscal year 2021 was 51%. No affiliates sell or lease products to franchisees. Other than as described above, we do not derive material consideration from your required purchases. Your purchases of inventory and equipment from us are subject to the Sonitrol Franchise Credit Policy and Procedures, attached as Exhibit D to this disclosure document.

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.

Franchise Agreement

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Definitions Section and Section 10.01	Items 7 and 11
b. Pre-opening purchases/leases	Section 6.02	Items 5, 6, 7, 8, and 10
c. Site development and other pre-opening requirements	Definitions Section	Item 7
d. Initial and ongoing training	Article III	Items 6, 7, 11 and 15
e. Opening	Section 6.03	Item 11
f. Fees	Section 6.04, Article VII, and Sections 10.16(a)-10.16(h)	Items 5, 6, 7, 8, 10, 11 and 17
g. Compliance with standards and policies/Manuals	Sections 6.05, 10.02, 10.10 and 10.16	Items 8, 11 and 13
h. Trademarks and proprietary information	Definitions Section, and Articles XI and XXI	Items 13 and 14
i. Restrictions on products/services offered	Sections 4.02-4.04	Items 6, 8 and 16
j. Warranty and customer service requirements	Sections 4.03, 10.02 and 10.05	Item 16
k. Territorial development and sales quotas	Sections 6.01 and 6.04	Items 12 and 17
l. Ongoing product/service purchases	Sections 4.02(a)-4.02(e), and Article VI	Items 6, 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 10.10	Items 7 and 16
n. Insurance	Section 10.12	Item 7
o. Advertising	Definitions Section, and Sections 1.06 and Article VII	Items 7, 11 and 13
p. Indemnification	Article XIII	Item 6

q. Owner's participation/ management/staffing	Section 10.07	Item 15
r. Records and reports	Sections 7.05, 9.02, 10.13-10.15	Item 6
s. Inspections and audits	Sections 7.04 and 10.11	Item 6
t. Transfer	Articles XIV and XV	Item 17
u. Renewal	Sections. 2.02, 2.03 and 2.04	Items 6 and 17
v. Post-termination obligations	Sections 2.04, and 18.01(a)-18.01(i)	Item 17
w. Non-competition covenants	Article XX	Item 17
x. Dispute resolution	Section 22.08	Item 17
y. Installation of security equipment	Definitions Section and Section 10.02	Item 1
z. Monitoring of subscriber accounts	Sections 6.02, 10.04 and 10.16(g)	Item 1
aa. Internet requirements	Section 10.16(g)	Item 8
bb. Non-solicitation covenants	Section 1.07(d)	Item 17
cc. Compliance with laws	Section 10.08	Item 1 and 7
dd. General Service Administration ("GSA") Products and Services	Definitions Section and Section 1.04	Item 12
ee. Sale of new products	Section 5.01	Item 11
ff. National Accounts	Section 10.16	Items 6, 11 and 17
gg. Confidential Information	Article XI	Item 17

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.

Monitoring Agreement

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	Section 6	Items 6 and 17
g. Compliance with standards and policies/Manuals	Section 3.1	Item 13
h. Trademarks and proprietary information	Not Applicable	Not Applicable
i. Restrictions on products/services offered	Not Applicable	Not Applicable
j. Warranty and customer service requirements	Section 4	Item 16
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Section 2.5	Item 7
o. Advertising	Not Applicable	Not Applicable

p. Indemnification	Sections 2.3, 4.3 and 8.1	Item 6
q. Owner's participation/ management/staffing	Not Applicable	Not Applicable
r. Records and reports	Not Applicable	Not Applicable
s. Inspections and audits	Not Applicable	Not Applicable
t. Transfer	Section 8.2	Item 17
u. Renewal	Section 7.1	Item 17
v. Post-termination obligations	Section 7.4	Item 17
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Not Applicable	Not Applicable
y. Monitoring of subscriber accounts	Sections 2.6 and 7.4	Item 1

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.

SONIP™ Equipment Purchase Agreement

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	Sections 2, 3, 4, 6, 7, 11, 15 and Exhibit A	Items 5, 6, 7, 10 and 17
g. Compliance with standards and policies/Manuals	Section 4	Items 8, 11 and 13
h. Trademarks and proprietary information	Section 5	Items 13 and 14
i. Restrictions on products/services offered	Not Applicable	Not Applicable
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Sections 4 and 7	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections 6 and 7	Item 7
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Sections 3 and 9	Item 6
q. Owner's participation/ management/staffing	Not Applicable	Not Applicable
r. Records and reports	Not Applicable	Not Applicable
s. Inspections and audits	Not Applicable	Not Applicable
t. Transfer	Section 10	Item 17
u. Renewal	Not Applicable	Not Applicable

v. Post-termination obligations	Section 11	Item 17
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Sections 12, 14 and 15	Item 17
y. Installation of security equipment	Section 3 of the SONIP™	Item 1

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.

SONIP™ Software License Agreement.

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Section 8 and Exhibit B	Item 11
e. Opening	Not Applicable	Not Applicable
f. Fees	Sections 2 and 3 and Exhibit A	Items 5, 6, 7, 10 and 17
g. Compliance with standards and policies/Manual	Not Applicable	Not Applicable
h. Trademarks and proprietary information	Sections 1 and 6	Items 13 and 14
i. Restrictions on products/ services offered	Not Applicable	Not Applicable
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Section 11	Item 6
q. Owner's participation/ management/staffing	Not Applicable	Not Applicable
r. Records and reports	Not Applicable	Not Applicable
s. Inspections and audits	Section 7	Item 6
t. Transfer	Sections 6 and 12	Item 17
u. Renewal	Section 3	Item 17
v. Post-termination obligations	Section 5	Item 17
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Sections 15 and 16	Item 17

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.

SONIP™ Service Agreement

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other		
d. Pre-opening requirements	Not Applicable	Not Applicable
e. Initial and ongoing training	Not Applicable	Not Applicable
f. Opening	Not Applicable	Not Applicable
g. Fees	Sections 2, 3 and 4 and Schedule A	Items 5, 6, 7, 10 and 17
h. Compliance with standards and policies/Manual	Sections 5 and 6	Not Applicable
i. Trademarks and proprietary information	Not Applicable	Not Applicable
j. Restrictions on products/ services offered	Not Applicable	Not Applicable
k. Warranty and customer service requirements	Not Applicable	Not Applicable
l. Territorial development and sales quotas	Not Applicable	Not Applicable
m. Ongoing product/service purchases	Not Applicable	Not Applicable
n. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
o. Insurance	Not Applicable	Not Applicable
p. Advertising	Not Applicable	Not Applicable
q. Indemnification	Section 8	Item 6
r. Owner's participation/ management/staffing	Not Applicable	Not Applicable
s. Records and reports	Not Applicable	Not Applicable
t. Inspections and audits	Not Applicable	Not Applicable
u. Transfer	Section 11	Item 17
v. Renewal	Item 17	
w. Post-termination obligations	Section 4	Item 17
x. Non-competition covenants	Not Applicable	Item 17
y. Dispute resolution	Sections 12 and 13	Item 17
z. Maintain outside telephone line and remote diagnostic aids	Section 5	Item 8 and Item 11
aa. Maintain connection to Internet and install firewall	Section 5	Item 8

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.

mySonitrol.net Agreement

Obligation	Section(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Not Applicable	Not Applicable
b. Pre-opening purchases/leases	Not Applicable	Not Applicable
c. Site development and other pre-opening requirements	Not Applicable	Not Applicable
d. Initial and ongoing training	Not Applicable	Not Applicable
e. Opening	Not Applicable	Not Applicable
f. Fees	Not Applicable	Not Applicable
g. Compliance with standards and policies/Manual	Section 1	Items 8 and 13
h. Trademarks and proprietary information	Section 6	Items 13 and 14
i. Restrictions on products/ services offered	Not Applicable	Not Applicable
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n. Insurance	Not Applicable	Not Applicable
o. Advertising	Not Applicable	Not Applicable
p. Indemnification	Sections 2 and 9	Item 6
q. Owner's participation/ management/staffing	Not Applicable	Not Applicable
r. Records and reports	Section 1	Item 6
s. Inspections and audits	Not Applicable	Not Applicable
t. Transfer	Not Applicable	Not Applicable
u. Renewal	Not Applicable	Not Applicable
v. Post-termination obligations	Not Applicable	Not Applicable
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Not Applicable	Not Applicable
y. Computer hardware and software requirements	Section 1	Items 8 and 11
z. Transfer of franchisees user identification and password	Section 13	Item 8

ITEM 10. FINANCING

Stanley Convergent and its affiliates do not offer direct or indirect financing to you. We do not guarantee your loans, notes, leases or other obligations.

From time to time, we may provide you with the name of one or more third party lenders that may provide financing to qualified applicants seeking to purchase or lease equipment and other personal property and services (the "SONIP™ Equipment") for the operation of the SONIP™ platform. To apply for this financing, you must contact the third party lender directly and submit any required application to the lender directly. The lender will make an independent decision regarding the availability of financing to you. The terms of the financing are determined solely by the lender and may include prepayment penalties. We do not have a written arrangement to provide financing, either directly or indirectly, with any third party lender that offers financing for the SONIP™ Equipment. We do not receive, nor do our affiliates receive, direct or indirect payments or benefits for placing SONIP™ Equipment financing with these third party lenders or for providing you with information regarding the possibility of SONIP™ Equipment financing. You may also contact our Vice President, Julie Beach, at 8350 Sunlight Drive, Fishers, Indiana 46037, for the names of other third party lenders, if any, who may provide financing for SONIP™ Equipment.

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

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

Obligations Before Opening

1. Designate your Territory. (Franchise Agreement, Section 1.01)

2. If needed, provide an initial training program for up to two people as described below. (Franchise Agreement, Article 3).

3. Loan you the Manuals and other written material concerning the operation of your Sonitrol Business. (Franchise Agreement, Section 6.05)

Obligations After Opening

1. Provide sales, marketing and operational training and assistance. (Franchise Agreement, Section 3.01)

2. Provide, either directly or through our designee, ongoing technical training on an occasional basis. (Franchise Agreement, Section 3.01)

3. Provide a list of products to be used in your business. (Franchise Agreement, Section 4.02)

4. Provide a national accounts program (the "National Accounts Program"). (Franchise Agreement, Section 10.16)

National Account customers typically have multiple facilities located regionally or nationally, which may be a source of new Subscriber Accounts for participating franchisees. Unless you opt out, you must participate in the National Accounts Program and abide by its standards and procedures for obtaining, installing, servicing and monitoring National Accounts. If you opt out of the National Accounts program, we have the right to sell, install, monitor and service National Account locations within your Territory and retain the fees paid by those National Account customers.

If you participate in the National Account program, you may sell and install new Sonitrol products and services to National Account locations within your Territory. You may also service and monitor these

National Account locations; however, if a National Account customer asks that we install, service, and/or monitor its locations, we may do so, even if the location is within your Territory. For each National Account customer to whom you sell and install Sonitrol products and services, you must pay us 13% of the total contract value for each National Account to compensate us for the costs of operating the National Accounts Program. You may pay a lower fee of 6.5% if you introduced the National Account customer to us and had the predominate business relationship with that customer prior to it becoming a National Account customer, or you may pay no fee if you had an effective contract with the National Account location at the time the National Account customer became a National Account.

If we determine that the National Account Program is no longer successful, we may terminate the program.

5. We will notify you of the development, availability and distribution of any new Sonitrol Products and Services and you will have the opportunity to distribute these new Sonitrol Products and Services. (Franchise Agreement, Article V)

Your Business Location

You are not required to operate your Sonitrol business from an office building as long as you do not operate a Central Monitoring Station. If you operate a Central Monitoring Station, you are free to determine the specific site for your business office, as long as it is within your Territory and an appropriate office or light commercial facility, and we approve the site. We will approve or disapprove your proposed site within thirty (30) days, or it will be considered approved. If we disapprove of your proposed site, you must select a new site, which must be approved by us. If we and you cannot agree on a proposed site, your Franchise Agreement may be terminated. The factors we consider in approving a suitable site include the condition and professional image of the building, access to appropriate telephone and fiber-optics exchange facilities, ease of accessibility, building temperature controls, parking availability and adequate building security.

Advertising Programs

Currently, there is no active advertising program, and we are not required to spend any amount for advertising in the area where your Sonitrol Business will be located. Additionally, there is no active advertising council, and we do not have plans to establish a council in the future. While not required to conduct advertising, from time to time we prepare marketing materials such as brochures, videos, and other materials and make them available to you at a reasonable cost. Your purchase of these material is voluntary, although we encourage you to use these marketing materials if we make them available to you. We permit and encourage you to use your own advertising. All advertising and promotional materials (including any Internet website) must conform to our requirements, including the requirement that you identify your Sonitrol Business as an independently owned and operated Sonitrol franchise. You must submit your advertising material to us for approval. (Franchise Agreement, Section 8.01) You are not required to participate in a local or regional advertising cooperative or advertising fund.

Manuals

The table of contents for our current Manuals are attached as Exhibit P. The Sonitrol Franchise Standards Manual has a total of 27 pages, the Sonitrol Franchise National Accounts Guide has a total of 17 pages and the Sonitrol Graphic Standards Manual has a total of 25 pages.

Time Before Opening Your Sonitrol Business

Because you are an existing Renewing Type A franchisee who is renewing your Franchise Agreement, you must be operating your Sonitrol business at the time that you sign your renewal Franchise Agreement.

Computer System, Internet Access, Email and Central Monitoring Station

Computer System and Internet Access

At your own expense, you must purchase computer hardware and software with specifications that are sufficient to permit you to operate your Sonitrol Business. We estimate that it will cost you $5,000 to $10,000 to purchase your computer hardware and software. Your computer system will be used by you to store word processing and financial data and to access a secure, password protected, website created by us for use by franchisees. You must submit royalty information, as well as additional data requested by us, through the use of this franchisee website. We may require you to use our proprietary software and any other software described in the Manuals. You must comply with all standards regarding software that we specify. You are not required to provide us with independent electronic access to the information to be generated or stored in your computer system.

We or third parties are not obligated to provide any ongoing maintenance, repairs, upgrades or updates for your computer hardware or software; however, we will provide, at our expense, ongoing service and support for the franchisee website that we require you to use to submit royalty information and other data (as requested by us) and we will provide, at our expense, ongoing service and support for the software that we have developed. For all other computer hardware and software, you must purchase at your own expense all system maintenance, repairs, upgrades or updates. There is no limitation on the frequency or cost of your maintenance, upgrade and update obligations. We estimate that your annual cost of optional or required maintenance and support contracts, upgrades and updates will be between $1,000 to $5,000 during your first year of operation and between $1,000 to $5,000 each year afterward.

Email

You must have access to e-mail and comply with our requirements concerning your email provider and email address, and use of email. You may retain any existing website for your Sonitrol Business, but must follow the requirements in the Manuals concerning this website.

Central Monitoring Station

If you choose to monitor your Subscriber Accounts by using a central monitoring station, your central monitoring station must at all times be equipped with computer hardware and software that meets our standards and specifications, and you may use this hardware and software only in the manner and with the equipment permitted by us. In addition, we may require you to use both servers and workstations in the operation of your central monitoring station, and you must utilize our latest monitoring software known as SONIP™. We may further develop custom-designed and licensed software for use in central monitoring stations, and if so, we may require you to use this software. We or third parties are not obligated to provide any ongoing maintenance, repairs, upgrades or updates for your central monitoring station computer hardware or software; however, we have the right to require that all servicing and repairs of your central monitoring station be performed by us or a party designated by us, at your expense, with prices and terms determined by us. We will provide at our expense, ongoing service and support for the software that we have developed, and we will provide you with licenses for the software at our then current rates. Currently, the SONIP™ software licensing fees for years two through five of your SONIP™ Software License Agreement will not exceed a 10% increase over the prior year's annual licensing fee. If you operate a central monitoring station, you must maintain an outside telephone line and remote diagnostic aids, maintain connection to the Internet and install a firewall in accordance with our requirements. We will have independent electronic access to your central monitoring station so that we may provide service, repair or otherwise diagnose problems with the central monitoring station. There are no contractual limitations on our right to access the central monitoring station. If you do not own a central monitoring station, and you choose to buy a central monitoring station, or, if you own a central monitoring station and chose to upgrade your central monitoring station, you must use the SONIP™ software platform.

We estimate that it will cost you $1,000 to $10,000 to purchase the hardware system needed for your central monitoring station, and between $70,000 to $120,000 for the SONIP™ software platform, with

annual license and service fees between $9,500 and $13,000 after the first year. We estimate that your annual cost of optional or required maintenance and support contracts, upgrades and updates for the central monitoring station will be between $0 to $6,000 during your first year of operation and between $0 to $6,000 each year afterward.

Training

TRAINING PROGRAM

The following table and accompanying notes describe the initial training available to you:

Subject	Hours of Classroom Training	Hours of On The Job Training	Location*
Initial Orientation Training (See Note 1.)	24 to 40 hours	Not Applicable	Various field locations
Initial Technical Training (See Note 2.)	24 to 40 hours	Not Applicable	Various locations
Initial Sales Training (See Note 3.)	Not Applicable	24 to 40 hours	Your location
SONIP™ Training (See Note 4.)	4 hours	45 to 55 hours	Your location

In response to the novel coronavirus (known as COVID-19) pandemic and state and local mandates and recommendations for business closures, physical and social distancing and work from home arrangements, training programs may be held virtually.

Note 1: You must, at all times, operate your Sonitrol Business with managers and employees that are competent and well-trained. You must pay all costs for travel, living accommodations, meals and salary for those managers and employees who attend training. In Sonitrol's discretion, you may not be required to complete initial training. Initial Training is held on an as needed basis, following the signing of the Franchise Agreement.

Note 2: You and at least one of your employees must be certified for installation of Sonitrol Products and successfully complete the Initial Technical Training before you can sell and install Sonitrol Products. The current rate charged for training one installer is $600 per day. You must pay all travel and living expenses associated with the training. Initial Technical Training is held on as needed basis, following the signing of the Franchise Agreement.

Note 3: The Initial Sales Training is offered to your salespersons, sales managers and any other personnel upon whom we mutually agree. This training must be completed by your key employees and the managers of your Sonitrol Business, to our satisfaction. Initial Sales Training is held on as needed basis, following the signing of the Franchise Agreement.

Note 4: If you purchase a central monitoring station, we conduct training at your location on the operation of the SONIP™ monitoring system software for you and certain of your employees. The cost for this training is included in the purchase price of the SONIP™ software. Training is held following the signing of the SONIP™ agreements.

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The following table and accompanying notes describe the on-going training available to you:

Subject	Hours of Classroom Training	Hours of On The Job Training	Location*
Ongoing Technical Training (See Note 1.)	Varies	Not Applicable	Various locations
Ongoing Sales Training (See Note 2.)	Varies	Not Applicable	Various locations
New Product Training (See Note 3.)	Varies	Not Applicable	Various locations
Ongoing Management Training (See Note 4.)	Varies	Not Applicable	Dallas, Texas Naperville, Illinois
Financial and Accounting Assistance (See Note 5.)	Not Applicable	Not Applicable	Your location or telephone
"Sonitrol U" Basic Sales Training (See Note 6.)	40 hours (5 days)	Not Applicable	Dallas, Texas Naperville, Illinois
Supplemental Training (See Note 7.)	Not Applicable	Not Applicable	Your location or remotely
Manufacturer Product Training (See Note 8.)	Varies	Not Applicable	Various locations
Technical Sales Training (See Note 9.)	Not Applicable	Varies, usually 2-3 days	Your location

Note 1: Sonitrol provides continuing education seminars for your personnel on Sonitrol Products, installation, servicing and monitoring. Participation in the seminars is voluntary. If you participate, you pay a fee to Sonitrol for the seminars. This fee currently ranges from $200 to $300 per person. You also bear the cost of travel and living accommodations of your personnel. Ongoing Technical Training is conducted on an as needed basis, which is, at a minimum, every two years.

Note 2: At times, based on sufficient franchisee demand, we may periodically offer sales and management seminars at regional or national locations. These seminars are optional. Generally, you must pay a fee of $1,000 for each seminar. You also bear the cost of travel and living accommodations.

Note 3: We usually arrange for regional seminars when a significant new product is introduced. Attendance at the seminars is voluntary, and no fees are charged. You pay for all travel and living expenses.

Note 4: At times, based on sufficient franchisee demand, we periodically offer dealership management seminars in Dallas, Texas. These seminars are optional, and you pay a fee of approximately $1,200 for each seminar. You also bear the cost of your travel and living accommodations.

Note 5: We do not presently offer any formal accounting and financial training program. However, we do maintain a competent financial staff that is available to consult with you on these subjects, as needed and on occasion as requested by you. There is no fee for this.

Note 6: Sonitrol U, operated by an independent entity known as Management Solutions, offers a Basic Sales Training Course in Dallas, Texas four times a year to franchisees. Attendance at the course is voluntary. You pay tuition of approximately $1,000 per person, and your travel and living expenses. The course lasts five (5) days.

Note 7: Manuals, videotapes and bulletins are made available to you when you start your business and on an ongoing basis. Certain of these materials are available at no charge, while others (such as videotapes) have a nominal charge to help defray their cost. These materials are available to you through the franchisee website maintained by us.

Note 8: Sonitrol maintains a training staff for the purpose of training your personnel on the operation and maintenance of the equipment it manufactures, which is conducted every two years. Other manufacturers generally also provide training for the products that they manufacture. The times for these trainings are determined by the manufacturer.

Note 9: We periodically offer Technical Sales Training, either remotely or at your location. Training is conducted every two years or as needed to maintain technical certifications.

Training Instructors

Tyrone Swinton, our Sonitrol training manager, is responsible for providing technical and operator training to Sonitrol franchisees and scheduling on-site training, in-house training, regional training seminars and on-line training courses. He has 27 years of operational experience directly related to the operation of SonIP and our field products and 27 years of experience with us. The instructional materials utilized in your training include operational and/or technical workbooks.

ITEM 12. TERRITORY

You may be able to operate without an office facility as long as you do not operate a central monitoring station. If you have an office from which you operate your Sonitrol Business and/or you have a central monitoring station, your business office and/or central monitoring station must be located within your Territory, unless we agree otherwise. Our permission is not required for you to relocate your business office if it is relocated within your Territory. You will be required to use a vehicle, and if necessary, multiple vehicles, to service your Subscriber Accounts.

You will be assigned a Territory, the boundaries of which are determined by zip codes. We assign the Territory based on information that we obtain regarding the population of a particular geographic area from various sources, including United States Census Bureau publications.

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 or our affiliates control, however, we will not establish another franchise or operate a company-owned outlet within your Territory for the sale of Sonitrol Products and Services as long as you comply with the terms of your Franchise Agreement.

You cannot represent yourself as a local Sonitrol franchisee who may sell and service Sonitrol Products and Services outside of your Territory. Your salespersons cannot work out of a location outside of your Territory without our written permission. You cannot sell to Subscribers located outside of your Territory without our written permission, and you must refer to us any potential Subscribers located outside of your Territory who contact you so that we may determine whether another Sonitrol franchisee, a company-owned location or your Sonitrol Business is best situated to service that potential Subscriber. In some circumstances, other existing Sonitrol franchisees may be able to sell and service Subscriber Accounts within your Territory, but these franchisees cannot establish a new business premises within your Territory or represent themselves as local Sonitrol franchisees within your Territory (except for the limited exceptions described in your Franchise Agreement).

We may provide monitoring services to Subscribers within your Territory.

We may manufacture and promote Sonitrol Products and Services within your Territory, however, our right to promote Sonitrol Products and Services within your Territory is limited to advertising or

promotion which is released on a regional or system-wide basis. We have the right to manufacture, sell, promote, advertise, lease, deliver, monitor, install and service products, other than Sonitrol Products and Services, to and through other sales organizations within your Territory without compensating you. These security products, however, will not bear the Sonitrol name or Sonitrol Marks.

As long as you are not in default of your Franchise Agreement, we will not sell Sonitrol Products and Services or establish Subscribers in your Territory, except as follows:

i. If you fail or refuse to install, monitor service, or provide for the installation, monitoring or service of Subscriber Accounts, to the extent you are required to do so under your Franchise Agreement, we may provide those services, and we will be entitled to receive the payments due from the Subscriber Accounts for those services.

ii. If you fail or refuse to comply with the requirements of your Franchise Agreement or the Manuals.

iii. In accordance with our National Account Program as applicable to you.

iv. Under any circumstances, we may sell or lease, or authorize others to sell or lease GSA products and services, which may include Sonitrol Products and Services and non-Sonitrol Products and Services, directly to any agency, office or facility of the United States Government, unless you have signed the then current form of the Sonitrol government distributor agreement and are not in default under your agreements with us.

In addition, we may install, monitor and service GSA customers within your Territory, but only after we first give you the opportunity to do so.

v. If you fail to meet your MPRs.

vi. Existing accounts serviced by us as of January 14, 2010.

You must purchase from us no less than an aggregate of $10,000 of Proprietary Products in each calendar year ("MPRs"). Certain franchisees may satisfy their MPRs if their average purchase of Proprietary Products is no less than $10,000 for each calendar year. (See Section 6.04 of the Franchise Agreement.) If you do not meet these minimum MPR requirements, you will have the next calendar year to improve your performance and meet MPRs in that subsequent year. If you fail to meet your MPRs for two consecutive years, we will have the right to establish company-owned locations and additional franchisees within your Territory, and we will have the right to terminate your Franchise Agreement.

We do not operate or franchise, nor currently have plans to operate or franchise a business under a different trademark. Neither we nor our affiliates have established, nor do we have plans to establish or franchise a business under a trademark different than that used by you that will sell goods or services similar to those that Sonitrol franchisees offer; however, we do sell non-Sonitrol Products and Services, such as security systems, access control and fire protection systems, under the Stanley name.

You are not given any right of first refusal to acquire additional franchises within or outside of your Territory.

ITEM 13. TRADEMARKS

You will be licensed to use the registered trademark SONITROL® and the other trademarks, service marks, trade names, logos and symbols (the "Proprietary Marks") listed below in the operation of your Sonitrol Business. The Proprietary Marks are owned by us. You must use the Proprietary Marks in accordance with your Franchise Agreement and any other standards that we set. You may use the Proprietary Marks only in conjunction with your operation of your Sonitrol Business.

All of the following Proprietary Marks are registered on the Principal Register of the United States Patent and Trademark Office (the "USPTO") and, as of the original issuance date of this disclosure document, all Affidavits of Use required to be filed under the Lanham Trademark Act and all renewal registrations to maintain the registrations of these Proprietary Marks have been filed:

1. Mark: "SONITROL"
   For Use With: Fire alarms, burglar alarms, sound detection security systems.
   Registration No.: 912,681
   Registration Date: June 8, 1971
   Renewal Date: May 7, 2012 and June 7, 2021

2. Mark: "SONITROL"
   For Use With: Installation and servicing of security and safety equipment, namely, intrusion, hold up, industrial process controls, fire, access control and video surveillance systems. Remote monitoring of security and safety equipment, namely, intrusion, hold up, industrial process controls, fire, access control and video surveillance systems.
   Registration No.: 2,623,863
   Registration Date: September 24, 2002
   Renewal Date: October 17, 2012; renewal application filed on April 19, 2022 (as of the effective date, notification of acceptance by USPTO not yet received)

3. Mark: "SONAVISION"
   For Use With: Monitoring security systems.
   Registration No.: 2,850,848
   Registration Date: June 8, 2004
   Renewal Date: June 5, 2014

4. Mark: "SMARTAUDIO"
   For Use With: Intrusion alarms
   Registration No.: 2,050,392
   Registration Date: April 8, 1997
   Renewal Date: June 5, 2017

In addition to the Marks registered on the Principal Register, we have common law rights in the following Proprietary Marks in those areas in which the Proprietary Marks have been used:

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1. Mark:

2. Mark:

3. Mark: SONIP

4. Mark:

5. Mark:

We do not have a Principal Register federal registration for any of the five Proprietary Marks listed above. Therefore, these five Proprietary Marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use any of these five Proprietary Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective material determinations of the USPTO, the USPTO Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings, nor any pending material federal or state court litigation involving the Proprietary Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Proprietary Marks in a manner material to the franchise.

You may use the “SONITROL” trademark solely in the promotion, leasing, selling and servicing of Sonitrol Products. You may not affix or relate the Proprietary Marks to any products or equipment which were not purchased from us or our designees, unless we authorize you to do so. Your license to use the Proprietary Marks is nonexclusive. We may grant others the right to use of the Proprietary Marks outside your Territory, and, within or outside your Territory, establish other systems and programs providing products and services utilizing the same or similar marks or any other Proprietary Marks, without providing you with any rights to these other systems and programs.

You must use the Proprietary Marks in full compliance with the Franchise Agreement, the Manuals and reasonable rules prescribed periodically by us. You may not use any Mark as part of any corporate or other legal name without our prior written consent. You must, except as prohibited by applicable law, operate your Sonitrol Business only under the Proprietary Marks designated by us for that purpose without any prefix, suffix or other modifying words, terms, designs or symbols without our prior written consent. You may not permit any third party to print the Proprietary Marks on any products, materials, documents or supplies used by you in your Sonitrol Business without our prior consent and without causing the third party

to sign a Sonitrol license agreement with us. You may not use the Proprietary Marks in connection with the sale of any unauthorized product or service or in any manner not authorized in writing by us. You must submit to us samples of all advertising and other materials to be used by you upon which the Proprietary Marks appear. You must use the symbol "®," "SM," "TM" or any other symbols or words as we may designate to protect the Proprietary Marks in all printed or other advertising materials and upon all printed surfaces upon which any of the Proprietary Marks appears. Under the Franchise Agreement, you agree not to contest, directly or indirectly, our ownership, title, right or interest in the Proprietary Marks that are a part of the Sonitrol Program. Upon the termination or expiration of your Franchise Agreement, you must immediately discontinue all use of the Proprietary Marks, remove all copies of the Proprietary Marks from your business premises and vehicles, and take all necessary steps to assign to us all trade names, trademarks and service marks that you have used or registered during the term of the Franchise Agreement.

If we discontinue or modify any of the Proprietary Marks, we may require you to discontinue or similarly modify your use of those Proprietary Marks. Your rights under the Franchise Agreement will continue as long as you implement the modification or discontinuance of the Proprietary Marks as required by us. If you fail to comply with this requirement, we have the right to terminate your Franchise Agreement.

The Franchise Agreement does not obligate us to protect your use of the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks. You must promptly notify us of any use of, or claim of right to, the Proprietary Marks or any colorable variation of the Proprietary Marks and any litigation instituted by any third party against us or you involving the Proprietary Marks. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims but we may do so at our discretion. We have the right to control any administrative proceedings or litigation involving the Proprietary Marks. You may not institute any proceedings or defend any proceedings involving any infringing use of the Proprietary Marks without our prior written consent. We may, in our sole discretion, undertake the defense, prosecution or settlement of any litigation relating to the Proprietary Marks. If we do so, you are required under the Franchise Agreement to sign documents and to render any other assistance as is reasonably necessary in our opinion to carry out the defense, prosecution or settlement. The Franchise Agreement does not require us to participate in your defense and/or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Proprietary Marks, or if a proceeding involving the Proprietary Marks is resolved unfavorably to you.

You must not directly or indirectly contest our right of ownership or our right to use any of our trademarks, trade secrets or business techniques that are part of our business. You may not establish an Internet domain name or an Internet website containing the word "Sonitrol" or any variation of the word, except under rules we establish.

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

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ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We own or co-own five issued patents that are material to the franchise, as disclosed below:

1. Title: "Security Monitoring Methodology Using Digital Audio"
   Date of Issuance: August 12, 2008
   Date of Expiration: May 10, 2026
   Patent Number: 7,411,490
   Type of Patent: Electronic Device and Process
   Nature of the Patent: Transmission of audio data streams corresponding in time to a triggering event and buffered audio data streams that correspond to time before the triggering event
   Relation to the Franchise: Current central monitoring system products to be used by franchisees include this feature

2. Title: "System and Method for Monitoring Security at a Premises"
   Date of Issuance: August 21, 2012
   Date of Expiration: December 19, 2027
   Patent Number: 8,248,226
   Type of Patent: Electronic Device and Process
   Nature of the Patent: Security system compares audio signals with stored false alarm signatures to determine whether an alarm condition exists
   Relation to the Franchise: Current central monitoring system products to be used by franchisees include this feature

3. Title: "System and Method for Monitoring Security at a Premises Using Line Card"
   Date of Issuance: July 26, 2011
   Date of Expiration: January 26, 2030
   Patent Number: 7,986,228
   Type of Patent: Electronic Device and Process
   Nature of the Patent: Security system with alarm system that receives report data that is regulated in accordance with UL 1610 requirements and reports data that is not regulated in accordance with UL 1610 requirements
   Relation to the Franchise: Current central monitoring system products to be used by franchisees include this feature

4. Title: "System and method for monitoring security at a plurality of premises"
   Date of Issuance: June 24, 2008
   Date of Expiration: April 24, 2026
   Patent Number: 7,391,315
   Type of Patent: Electronic Device and Process Nature of the Patent: This invention relates to alarm systems, and more particularly, this invention relates to alarm systems in which audio is forwarded from an audio sensor to a central monitoring station or server
   Relation to the Franchise: Current central monitoring system products to be used by franchisees include this feature

5.	Title:	"System and method for monitoring security at a premises using line card with secondary communications channel"
	Date of Issuance:	September 10, 2013
	Date of Expiration:	September 15, 2031
	Patent Number:	8,531,286
	Type of Patent:	Electronic Device and Process
	Nature of the Patent:	This invention relates to alarm systems, and more particularly, this invention relates to alarm systems in which alarm signals as alarm report data are forwarded from an alarm panel at a premises to a central station
	Relation to the Franchise:	Current central monitoring system products to be used by franchisees include this feature

There are currently no material determinations of the USPTO or a court regarding these patents.

We do not own any registered copyrights that are material to the franchise.

Proprietary Information

Although we have not filed any applications for copyright registrations, we own proprietary rights and claim common law copyrights on all of our Subscriber Contract forms and the Manuals. You may use the Subscriber Contract forms and Manuals only in connection with your Sonitrol Business. The Manuals and various other bulletins and directives, which we publish to our franchise system periodically and which relate to the standards, procedures and specifications of the Sonitrol Program and to the operation of a Sonitrol Business are proprietary and confidential. We grant you a limited non-exclusive license to use our trade secrets and proprietary know-how relating to the operation of the Sonitrol Program (the "Proprietary Information"). You acquire no interest in the Proprietary Information provided to you other than the right to utilize in accordance with your Franchise Agreement. You also must treat the contents of the Manuals as confidential. You are prohibited from disclosing, copying, duplicating, recording, reproducing or otherwise making available the contents of the Manuals to any unauthorized person without our consent.

We also own proprietary rights and common law copyrights in the software packages that are licensed to you when you purchase equipment from us.

You must promptly notify us when you learn about any actual or suspected unauthorized use of, or claim of right to, any of our Proprietary Information, including without limitation any common law copyrights in any written materials and/or software packages and any litigation instituted by any third party against us or you involving the Proprietary Information. We are not under any obligation to take any action relating to any actual or suspected unauthorized use, but we will respond to your notice to us as we deem appropriate. If we discontinue or modify any of the Proprietary Information, we may require you, at your expense, to discontinue or similarly modify your use of that Proprietary Information.

We have no knowledge of any infringing uses of our proprietary rights or copyrights, which could materially affect your use of these proprietary rights and copyrights.

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

We recommend that you personally participate in the actual operation of the Sonitrol Business, but you are not obligated to do so by the terms of your Franchise Agreement. However, your Sonitrol Business must be supervised "on premises" by a general manager or principal operating person who must be a person of good moral character and capable of performing all of your duties and obligations under your Franchise Agreement. That person must successfully complete the initial sales training and technical training described in Item 11 of this disclosure document. Other than as described above, there are no

limitations on whom you can hire as the manager of your Sonitrol Business. The manager of your Sonitrol Business is not required to have any amount of equity interest in the franchised business.

Principals of the franchisee's business entity (if your franchise is owned and operated by a business entity) and/or certain of your employees may be required by us, at your expense for room, meal, living, travel costs and salaries, to enroll in training programs conducted by us.

Under the terms of your Franchise Agreement, you must acknowledge that certain information relating to the Sonitrol Program is confidential, proprietary and a trade secret of Sonitrol. You may be required by us to enter into agreements with your employees containing non-disclosure, non-solicitation and non-competition provisions (see Exhibit I for the form of agreement). We may require you and your officers and directors or owners to sign with us, agreements containing non-disclosure, non-solicitation and non-competition provisions (see Exhibit I for the form of agreement).

During the term of your Franchise Agreement, you, the owners of the franchise entity, certain of your employees, your affiliates or parent company, or your immediate family members, may not manage, operate, control or participate in the ownership, management or control of any business that directly or indirectly competes with us.

For a period of two years after the termination or expiration of your Franchise Agreement, you may not, within the franchised Territory or a geographic area extending 100 miles outward from the outer boundary of the Territory, directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business that is competitive with the Sonitrol Program, except in a territory where you are a franchisee under a separate franchise agreement with us. A business that is competitive is a security alarm business or platform which is solely or primarily based on the use of impact-activated audio detection devices or technology (including the centralized monitoring of those devices), or a business of managed access control which uses the Sonitrol Marks and is integrated or connected with a Proprietary Product. You may, however, following expiration (but not termination) of their Franchise Agreement operate a security related business that is not competitive, including the right to continue to monitor Subscriber Accounts, or have accounts monitored by us or a Sonitrol franchisee approved by us, in accordance with your Franchise Agreement. Subject to certain conditions set out in the Franchise Agreement, for a period of five years following expiration (but not termination) of the Franchise Agreement, we will provide central monitoring station software and monitoring support service to you.

You may (if you have not exercised the Complementary Products and Services opt out under your Franchise Agreement), under the Sonitrol Marks, sell or lease non-competitive, Complementary Products and Services. If you exercise the Complementary Products and Services opt out under the Franchise Agreement, you may not sell or lease Complementary Products and Services in connection with your Sonitrol Business but must set up a separate entity to sell or lease those products and services, and you may not sell or lease the products or services using the Sonitrol Marks. Additional requirements for your sale or lease of Complementary Products and Services may be set out in the Manuals.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You cannot install, promote, lease, sell or service any products other than those approved by us. You also cannot provide any services other than those approved by us. There is no limit on our right to change the type of approved products or services, although we will not discontinue any Proprietary Product without providing for a substitute Proprietary Product and an end-of-life parts replacement and service plan. We may designate or approve new or additional products, or add or discontinue products, subject to the other terms of the Franchise Agreement and the Manuals.

You must offer all goods and services that we authorize, unless you exercise the National Account Opt-Out, in which case we may sell or service all National Accounts in your Territory. The services that you must offer include, without limitation, alarm system installation, access control system installation, repair, service and monitoring. You must comply with our warranty and customer service programs. You must

maintain your vehicle in an attractive and professional appearance and maintain your equipment in a good state of repair.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

Franchise Agreement

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	Section 2.01	15 years beginning on the effective date set out in your Franchise Agreement, unless terminated earlier pursuant to the Franchise Agreement.
b. Renewal or extension of the term	Section 2.02	You have no right to renew the Franchise Agreement, but if you meet certain conditions, you may have the right to sign a new franchise agreement with us that includes the same terms as those offered to new Sonitrol franchisees. The term renewal means that the franchise relationship is extended for an additional term of years under our then-current form of Franchise Agreement, which may have materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	Sections 2.02 and 2.03	Not applicable. The term renewal means that the franchise relationship is extended for an additional term of years under our then-current form of Franchise Agreement, which may have materially different terms and conditions than your original contract.
d. Termination by franchisee	Not Applicable	Not Applicable, Subject to State Law
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	Sections 16 and 17	We can terminate only if you default under the Franchise Agreement.
g. "Cause" defined – curable defaults	Sections 16.01(b), 16.01(d), 16.01(e), 16.01(f), 16.01(g), 16.01(h), 16.01(i), 16.02(b), and 16.02(c).	We may terminate the Franchise Agreement 30 days after written notice of termination to you, if the following events of default have not been cured within the applicable cure period: (i) your failure to pay when due any monies owed to us, or our Affiliates, under the Franchise Agreement, Monitoring Agreement or agreements related to the central monitoring station; (ii) a criminal conviction of you, or your manager, existing equity holder, key employee, or an officer, director, owner, partner or principal of your Sonitrol Business holding at least a 25% ownership interest, for a felony offense involving moral turpitude, or any crime or act that could substantially impair the goodwill associated with the Sonitrol Marks; (iii) a material misrepresentation or false statement made by you or on your behalf to us in connection with the

Provision	Section In Franchise Agreement	Summary
		signing of the Franchise Agreement, or in any accounting, report or plan that you submit to us; (iv) your breach of any material obligation or failure to observe or perform any covenant or agreement under the Franchise Agreement or any agreement relating to the central monitoring station. We may terminate the Franchise Agreement immediately upon written notice to you if the following events of default have not been cured within the applicable cure period: (i) the filing against you of an involuntary petition of bankruptcy, reorganization, or insolvency, or similar proceeding or the appointment of a receiver or trustee; or (ii) a final judgment or unappealed decision of a regulatory body that results in the suspension of the license(s) required to operate your Sonitrol Business.
h. "Cause" defined – non-curable defaults	Sections 16.01(a), 16.01(c), 16.01(h), 16.01(k), 16.02(a), and 16.02(d).	We may terminate the Franchise Agreement upon 30 days prior written notice if the following events of default occur: (i) you fail to meet your MPRs under the Franchise Agreement for two consecutive calendar years; or (ii) you repeatedly fail to comply with the Franchise Agreement. We may automatically terminate the Franchise Agreement upon the following events of default: (i) your insolvency; (ii) an assignment for the benefit of creditors; (iii) the filing of a bankruptcy petition, reorganization or similar proceeding; (iv) your voluntary abandonment of the Sonitrol Business for 5 consecutive days; or (v) you provide certain services or products to former Sonitrol franchisees after receiving notice of their termination from us.
i. Franchisee's obligations on termination/non-renewal	Section 17.02 and 18.01	Upon termination or expiration you must: (i) within ten (10) days assign all right, title and interest in all customer or public communication media published or associated with the Sonitrol Marks; (ii) remove from your premises the Sonitrol Marks and stop using all materials bearing the Sonitrol Marks; (iii) promptly pay us all amounts due; (iv) within 30 days of our request, mail a registered letter approved by us to all Subscriber Accounts, return receipt requested to us, informing the Subscriber that you are no longer authorized or licensed to operate under the Sonitrol Marks, and requesting that the Subscriber remove all materials bearing the Sonitrol Marks from its premises; (v) within 6 months, remove from the premises of Subscriber Accounts all materials bearing the Sonitrol Marks; (vi) within 10 days, return to us all copies of confidential information, including the Manuals; (vii) cancel all assumed name or equivalent registrations relating to the use of the Sonitrol Marks and notify, within 30 days, the telephone company and

Provision	Section In Franchise Agreement	Summary
		all listing agencies of the termination or expiration of your right to use the Sonitrol Marks, and transfer all telephone numbers to us or our designee; (viii) comply with and be bound by all applicable provisions of the Franchise Agreement that survive termination; (ix) not purchase or obtain any Sonitrol Products and Services and will not install any new or additional Sonitrol Products and Services; (x) not sell any Sonitrol Products and Services; and (xi) comply with any applicable non-competition covenants.
j. Assignment of contract by franchisor	Section 14.05	We may assign the Franchise Agreement to anyone assuming our obligations under the Franchise Agreement.
k. "Transfer" by franchisee – defined	Sections 14.01	Transfer means any assignment, pledge, grant of a security interest, sale, conveyance or transfer, whether voluntary, involuntary or by operation of law of (i) the Franchise Agreement, (ii) any interest in the Franchise Agreement, including Subscriber Accounts (except for sales to another Sonitrol franchisee with exclusive rights to the territory where the Subscriber Accounts are located), (iii) any interest or right granted under the Franchise Agreement or Sonitrol Business, (iv) any controlling interest in the franchisee (defined as more than 50% ownership or right to vote in the franchisee) without our consent.
l. Franchisor approval of transfer by franchisee	Sections 14.01 and 14.03	With the exception of limited circumstances, we must approve all transfers, but we will not unreasonably withhold our consent.
m. Conditions for franchisor approval of transfer	Section 14.03	Transferee must meet the standards and requirements for a new Sonitrol franchisee; you may not be in default under the Franchise Agreement or any other agreement with us; you must pay all outstanding amounts due to us; you must sign a mutual general release (a copy of the form of Mutual Release of All Claims is included as Exhibit O to this disclosure document); transferee must sign an acknowledgement accepting the terms of the Franchise Agreement, all other agreements between you and us, and the then current Manuals; transferee must pay us a transfer fee of $7,500.
n. Franchisor's right of first refusal to acquire franchisee's business (during the term of the Franchise Agreement)	Section 15.01	If you receive an offer to purchase any assets or interest which would require our consent to transfer, you must first offer the assets or interest to us.
o. Franchisor's option to purchase franchisee's business	Section 15.02, Section 18.02, Section 18.03(a), Section 18.03(b), and Section 18.04	Section 15.02: During the 30 day option period following our receipt of the purchase offer, outlined in n. above, we have an irrevocable option to purchase your Sonitrol Business under the same terms as the offer. We will give you written notice within the 30 day option period if we elect to exercise the option. If we do not exercise the

Provision	Section In Franchise Agreement	Summary
		option then you may sell to the third party who extended the offer during the 180 day period immediately following the expiration of the option period on the same terms (including payment terms), and at a price greater than or equal to that in the purchase offer, as long as the conditions of transfer are met (see m. above). Section 18.02: Upon the termination or expiration of your Franchise Agreement, and upon certain conditions, you may require us to purchase all unused inventory of certain physical Sonitrol Products, the purchase price being the lesser of the actual cost and the then current fair market value. We are allowed to offset any monies you owe under the Franchise Agreement or other agreements against the purchase price. Section 18.03(a): Any time during the 365 days following the termination of your Franchise Agreement due to an event of default, if you receive an offer to purchase any of your assets or interests, you must first grant us an irrevocable right of first refusal. Section 18.03(b): During the 30 day option period following our receipt of the purchase offer, outlined in Section 18.03(a) above, we have an irrevocable option to purchase under the same terms and conditions as the offer. If we do not exercise the option then you may sell to the party who extended the offer during the 180 day period immediately following the expiration of the option period on the same terms, and at a price greater than or equal to that in the purchase offer. Section 18.04: Within 60 days following termination or expiration of your Franchise Agreement, we have the option to purchase your rights to your National Account subscribers for fair market value.
p. Death or disability of franchisee	Section 14.02(d)	You may transfer a controlling interest (defined as more than 50% ownership or right to vote in the franchisee) to an immediate family member, key employee, or existing equity holder who meets our requirements for Sonitrol franchisees, and prior to distribution you were an immediate family member, key employee or existing equity holder.
q. Non-competition covenants during the term of the franchise	Section 20.01	Subject to State law, you cannot be connected in any manner with a competitive business.
r. Non-competition covenants after the	Sections 20.02 and 20.03	Subject to State law, for two years following the effective date of the termination or expiration of the Franchise Agreement, you cannot, directly or

Provision	Section In Franchise Agreement	Summary
franchise is terminated or expires		indirectly, be connected in any manner with a business that is competitive with Sonitrol within your Territory and any area within 100 miles of your Territory, except in a territory where you have entered into a separate franchise agreement with us. You may, however, operate a security related business that is not competitive and you may monitor your accounts using your central monitoring station or have your accounts monitored by us or another Sonitrol franchisee approved by us. If the Franchise Agreement expires (rather than is terminated), if you meet certain conditions, we will provide central monitoring station software and support for five years following expiration.
s. Modification of the agreement	Section 22.10	There may be no modifications unless they are in writing and signed by both parties.
t. Integration/merger clause	Section 22.10	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u. Dispute resolution by arbitration or mediation	Section 22.08	Except for limited circumstances, you must participate in mandatory non-binding mediation for dispute resolution, which must be commenced within 60 days of the initiation of dispute resolution negotiations. If a dispute is not resolved within 90 days of the appointment of the mediator, the parties will resolve the dispute by binding arbitration. The arbitrator must render judgment within 180 days of the arbitrator's appointment. The mediation and arbitration requirement does not prohibit us from terminating your Franchise Agreement or seeking an injunction. Subject to applicable state law. See State Addenda.
v. Choice of forum	Sections 22.07 and 22.08	You consent to jurisdiction in the U.S. District Court for the District of Delaware for litigation in court, and mediation and arbitration in the Wilmington, Delaware area. Subject to applicable state law. See State Addenda.
w. Choice of law	Section 22.07	Delaware law applies. Subject to applicable state law. See State Addenda.

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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.

Monitoring Agreement

Provision	Section In Monitoring Agreement	Summary
a. Length of the franchise term	Section 7.1	The length of the term will be agreed to by you and us. It will start on the date that both you and we sign the Monitoring Agreement and continue until expiration or termination of the Monitoring Agreement.
b. Renewal or extension of the term	Section 7.1	Automatic renewal for 1 year unless you give us timely written notice of your election not to renew.
c. Requirements for franchisee to renew or extend	Section 7.1	Renewal is automatic (see b. above)
d. Termination by franchisee	Sections 7.2 and 7.3	You may terminate the Monitoring Agreement, by timely written notice to us, for any of the following reasons: (i) we become insolvent; (ii) a petition in bankruptcy is filed against us; (iii) a receiver is appointed with respect to any of our assets; (iv) a liquidation proceeding is commenced by or against us; (v) we fail to cure any material breach of any obligation under the Monitoring Agreement within 60 days after receipt of written notice from you. Upon timely notice, during a portion of the term of the Monitoring Agreement as agreed to by you and us, you may terminate the Monitoring Agreement if you sell your Subscriber Accounts as permitted under the Franchise Agreement. Subject to State law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 7.2	We can terminate only if you default under the Monitoring Agreement.
g. Cause" defined – curable defaults	Section 7.2	We may terminate the Monitoring Agreement if within 60 days after you have received written notice from us, you have failed to cure any material breach of any obligation under the Monitoring Agreement.
h. Cause" defined – non-curable defaults	Section 7.2	We may terminate the Monitoring Agreement immediately for any of the following reasons: (i) you become insolvent; (ii) a petition in bankruptcy is filed against you; (iii) a receiver is appointed with respect to any of your assets; (iv) a liquidation proceeding is commenced by or against you; (v) you cease to be a franchise in good standing with Sonitrol or the Franchise Agreements terminate or expire.
i. Franchisee's obligations on termination/non-renewal	Section 7.4	Upon termination of the Monitoring Agreement, you will arrange for the timely transfer of monitoring services for Subscribers to an alternate monitoring facility.

j.	Assignment of contract by franchisor	Section 8.2	We may not assign the Monitoring Agreement without your prior written consent, which may not be unreasonably withheld.
k.	"Transfer" by franchisee – defined	Not Applicable	Not Applicable
l.	Franchisor approval of transfer by franchisee	Section 8.2	You may not assign the Monitoring Agreement without our prior written consent, which will not be unreasonably withheld.
m.	Conditions for franchisor approval of transfer	Not Applicable	Not Applicable
n.	Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable, Subject to State Law
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable, Subject to State Law
s.	Modification of the agreement	Section 8.7	The Monitoring Agreement may not be modified except in writing signed by both parties.
t.	Integration/merger clause	Section 8.7	Only the terms of the Monitoring Agreement are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the Monitoring Agreement may not be enforceable. However, nothing in the Monitoring Agreement, or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable. Subject to applicable state law.
v.	Choice of forum	Not Applicable	Not Applicable. Subject to applicable state law.
w.	Choice of law	Section 8.4	Delaware law applies. Subject to applicable state law. See State Addenda.

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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.

SONIP™ Equipment Purchase Agreement

Provision	Section In SONIP™ Equipment Purchase Agreement	Summary
a. Length of the franchise term	Not Applicable	Not Applicable
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable, Subject to State Law
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 11	With written notice to you, we may immediately terminate if you neglect or fail to adhere to your obligations under the SONIP™ Equipment Purchase Agreement or you default under the SONIP™ Equipment Purchase Agreement and fail to cure the failure or default within the cure period, if any.
g. "Cause" defined – curable defaults	Section 11	We may terminate the SONIP™ Equipment Purchase Agreement immediately upon written notice to you if the following events of default have not been cured within the applicable cure period: (i) your failure or refusal to pay when due any amounts owed under the SONIP™ Equipment Purchase Agreement; or (ii) your breach of the SONIP™ Equipment Purchase Agreement.
h. "Cause" defined – non-curable defaults	Section 11	We may terminate the SONIP™ Equipment Purchase Agreement immediately upon written notice to you if the SONIP™ Software License Agreement, SONIP™ Service Agreement, Franchise Agreement or any other agreement between you and us is terminated by us.
i. Franchisee's obligations on termination/non-renewal	Section 11	Upon termination, you must immediately pay us all monies that you owe us, or will owe us, under the SONIP™ Equipment Purchase Agreement, and attorneys' fees and/or fees that we incur as a result of our collection efforts.
j. Assignment of contract by franchisor	Section 10	We may assign the SONIP™ Equipment Purchase Agreement or subcontract the services to be provided under the SONIP™ Equipment Purchase Agreement without notice to you or without your consent.

k.	"Transfer" by franchisee – defined	Section 10	Transfer includes an assignment, transfer, sublicense, pledge or hypothecation.
l.	Franchisor approval of transfer by franchisee	Section 10	You may not assign, transfer, sublicense, pledge or hypothecate the SONIP™ Equipment Purchase Agreement without our prior written consent, except as may be permitted by your Franchise Agreement.
m.	Conditions for franchisor approval of transfer	Section 10	Upon our prior written consent, or as permitted by your Franchise Agreement, you may assign, transfer or sell your rights, duties and obligations under the SONIP™ Equipment Purchase Agreement solely in connection with the sale or assignment of your franchise business as provided under the terms of your Franchise Agreement. Any assignment is not effective unless the assignee agrees in writing to assume and comply with the terms of the SONIP™ Equipment Purchase Agreement, to assume and comply with the terms of the SONIP™ Service Agreement, and to separately enter into a SONIP™ License Agreement. Any authorized transfer does not relieve you of your obligations under the SONIP™ Equipment Purchase Agreement.
n.	Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable, Subject to State Law
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable, Subject to State Law
s.	Modification of the agreement	Section 15	There may be no modifications unless they are in writing and signed by both parties.
t.	Integration/merger clause	Section 15	Only the terms of the SONIP™ Equipment Purchase Agreement are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the SONIP™ Equipment Purchase Agreement may not be enforceable. However, nothing in the SONIP™ Equipment Purchase Agreement, or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u.	Dispute resolution by arbitration or mediation	Section 12	Except for limited circumstances, you must participate in mandatory non-binding mediation for dispute resolution, which must be commenced

		within 60 days of the initiation of dispute resolution negotiations. If a dispute is not resolved within 90 days of the appointment of the mediator, the parties must resolve the dispute by binding arbitration. The arbitrator must render judgment within 180 days of the arbitrator's appointment. The mediation and arbitration requirement does not prohibit us from terminating your SONIP™ Equipment Purchase Agreement or seeking an injunction. Subject to applicable state law. See State Addenda.
v. Choice of forum	Section 12	You agree to jurisdiction and venue in the U.S. District Court for the District of Delaware. Mediation and arbitration will be held in the Wilmington, Delaware metropolitan area or a location otherwise mutually agreed to by you and us. Subject to applicable state law. See State Addenda.
w. Choice of law	Section 12	Delaware law applies. Subject to applicable state law. See State Addenda.

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.

SONIP™ Software License Agreement

Provision	Section In SONIP™ Software License Agreement	Summary
a. Length of the franchise term	Section 3	Length of license term is the shorter of (i) five years from the effective date of the SONIP™ Software License Agreement, (ii) the termination of the Franchise Agreement, and (iii) the termination of the SONIP™ Software License Agreement.
b. Renewal or extension of the term	Section 3	You do not have a right to renew unless you are specifically permitted under your Franchise Agreement to continue operation of the SONIP™ equipment post-termination.
c. Requirements for franchisee to renew or extend	Section 3	You may not be in default under the SONIP™ Software License Agreement or any other agreement between you and us.
d. Termination by franchisee	Section 4	You may terminate at any time upon thirty days prior written notice. Subject to State law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 4	With written notice to you, we may immediately terminate if you neglect or fail to adhere to your obligations under the SONIP™ Software License Agreement or you default under the SONIP™ Software License Agreement and fail to cure the failure or default within the cure period, if any. The SONIP™ Software License Agreement automatically terminates if you stop doing business, or upon your

			bankruptcy or upon attachment or lien affecting the SONIP™ monitoring software package.
g.	"Cause" defined – curable defaults	Section 4	We may terminate the SONIP™ Software License Agreement immediately upon written notice to you if the following events of default have not been cured within the applicable cure period: (i) your failure to pay any amounts due under the SONIP™ Software License Agreement; or (ii) any violation of the SONIP™ Software License Agreement by you.
h.	"Cause" defined – non-curable defaults	Section 4	We may terminate the SONIP™ Software License Agreement immediately upon written notice to you if the following events of default occur: (i) you provide others with, or acquire from others, prohibited software programs; (ii) you modify the SONIP™ monitoring system software without our approval or authorization; (iii) you fail to provide security for the software contents or functions; or (iv) the SONIP™ Equipment Purchase Agreement, SONIP™ Service Agreement, Franchise Agreement, or any other agreement between you and us is terminated by us.
i.	Franchisee's obligations on termination/non-renewal	Section 5	Within 30 days of termination of the SONIP™ Software License Agreement, you must return to us all copies and versions of the SONIP™ monitoring system software, all programs, and supporting documents and materials provided by us.
j.	Assignment of contract by franchisor	Section 12	We may assign the SONIP™ Software License Agreement without notice to you or without your consent.
k.	"Transfer" by franchisee – defined	Section 12	Transfer includes an assignment, transfer, sublicense, pledge or hypothecation.
l.	Franchisor approval of transfer by franchisee	Sections 2 and 12	You may not assign, transfer, sublicense, pledge or hypothecate the SONIP™ Software License Agreement or the license granted by the SONIP™ Software License Agreement without our prior written consent. In Sonitrol's sole discretion, in connection with a transfer permitted under your Franchise Agreement, Sonitrol may permit the assignment of your SONIP™ Software License Agreement or require the transferee to sign a new SONIP™ Software License Agreement.
m.	Conditions for franchisor approval of transfer	Section 12	Upon our prior written consent, which will not be unreasonably withheld, you may assign, transfer, sublicense, pledge or hypothecate the SONIP™ Software License Agreement or the license granted under the SONIP™ Software License Agreement. Any authorized transfer does not relieve you of your obligations under the SONIP™ Software License Agreement.
n.	Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable

o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable, Subject to State Law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable, Subject to State Law
s. Modification of the agreement	Section 16	There may be no modifications unless they are in writing and signed by both Sonitrol and you (and any proper assignee).
t. Integration/merger clause	Section 16	Only the terms of the SONIP™ Software License Agreement are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the SONIP™ Software License Agreement may not be enforceable. However, nothing in the SONIP™ Software License Agreement, or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable, Subject to applicable state law.
v. Choice of forum	Section 15	You agree to jurisdiction and venue in the U.S. District Court for the District of Delaware. Subject to applicable state law. See State Addenda.
w. Choice of law	Section 15	Delaware law applies. Both you and Sonitrol waive the right to a jury trial. Subject to applicable state law. See State Addenda.

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.

SONIP™ Service Agreement

Provision	Section In SONIP™ Service Agreement	Summary
a. Length of the franchise term	Section 1	Length of the initial term is one year.
b. Renewal or extension of the term	Section 1	The SONIP™ Service Agreement automatically renews for one-year periods, unless 30 days' written notice not to renew is provided by either party before the end of the initial term or any renewal term.
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Section 1	You may terminate the SONIP™ Service Agreement if written notice is given to us within 30 days of the

Provision	Section In SONIP™ Service Agreement	Summary
		end of the initial term or any renewal term. Subject to State law.
e. Termination by franchisor without cause	Section 1	We may terminate the SONIP™ Service Agreement if written notice is given to you within 30 days of the end of the initial term or the renewal term.
f. Termination by franchisor with cause	Section 4	With written notice to you, we may immediately terminate the SONIP™ Service Agreement if you neglect or fail to adhere to your obligations under the SONIP™ Service Agreement or you default under the SONIP™ Service Agreement and fail to cure the failure or default within the cure period, if any.
g. "Cause" defined – curable defaults	Section 4	We may terminate the SONIP™ Service Agreement immediately upon written notice to you if the following events of default have not been cured within the applicable cure period: (i) your failure or refusal to pay any amount due under the SONIP™ Service Agreement; or (ii) any violation of the SONIP™ Service Agreement by you.
h. "Cause" defined – non-curable defaults	Section 4	We may terminate the SONIP™ Equipment Purchase Agreement immediately upon written notice to you if the SONIP™ Equipment Purchase Agreement, SONIP™ Software License Agreement, Franchise Agreement or any other agreement between you and us is terminated by us.
i. Franchisee's obligations on termination/non-renewal	Section 4	Upon termination of the SONIP™ Service Agreement, all payments due or to become due will be due immediately. You must also pay attorney fees and/or collection fees that we incur in connection with our collection efforts.
j. Assignment of contract by franchisor	Section 11	We may assign the SONIP™ Service Agreement or subcontract the services to be provided under the SONIP™ Service Agreement without notice to you or without your consent.
k. "Transfer" by franchisee – defined	Section 11	Transfer includes an assignment, transfer, sublicense, pledge or hypothecation.
l. Franchisor approval of transfer by franchisee	Section 11	You may not assign, transfer, sublicense, pledge or hypothecate the SONIP™ Service Agreement without our prior written consent, except as may be permitted in your Franchise Agreement. In Sonitrol's sole discretion, in connection with a transfer permitted under your Franchise Agreement, Sonitrol may permit the assignment of your SONIP™ Service Agreement or require the transferee to sign a new SONIP™ Service Agreement.
m. Conditions for franchisor approval of transfer	Section 11	Upon our prior written consent, which will not be unreasonably withheld, or as otherwise specifically provided in your Franchise Agreement, you may assign, transfer or sell your rights, duties and obligations under the SONIP™ Service Agreement solely in connection with the sale or assignment of

Provision	Section In SONIP™ Service Agreement	Summary
		your franchise business as provided under the terms of your Franchise Agreement. Any assignee must agree in writing to assume and comply with the SONIP™ Service Agreement, to assume and comply with the terms of the SONIP™ Equipment Purchase Agreement, and to enter into a SONIP™ Software License Agreement. Any authorized transfer does not relieve you of your obligations under the SONIP™ Service Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable, Subject to State Law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable, Subject to State Law
s. Modification of the agreement	Section 13	There may be no modifications unless they are in writing and signed by both Sonitrol and you.
t. Integration/merger clause	Section 13	Only the terms of the SONIP™ Service Agreement are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the SONIP™ Service Agreement may not be enforceable. However, nothing in the SONIP™ Service Agreement, or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u. Dispute resolution by arbitration or mediation	Section 12	Except for limited circumstances, you must participate in mandatory non-binding mediation for dispute resolution, which must be commenced within 60 days of the initiation of dispute resolution negotiations. If a dispute is not resolved within 90 days of the appointment of the mediator, the parties must resolve the dispute by binding arbitration. The arbitrator must render judgment within 180 days of the arbitrator's appointment. The mediation and arbitration requirement does not prohibit us from terminating your SONIP™ Service Agreement or seeking an injunction. Subject to applicable state law. See State Addenda.
v. Choice of forum	Section 12	You agree to jurisdiction and venue in the U.S. District Court for the District of Delaware. Mediation and arbitration will be held in the Wilmington, Delaware metropolitan area or a location otherwise mutually agreed to by you and us. Subject to applicable state law. See State Addenda.

Provision	Section In SONIP™ Service Agreement	Summary
w. Choice of law	Section 12	Delaware law applies. Subject to applicable state law. See State Addenda.

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.

mySonitrol.net Agreement

Provision	Section in mySonitrol.net Agreement	Summary
a. Length of the franchise term	Not Applicable	Not Applicable
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable, Subject to State Law
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 17	We may immediately and without notice terminate your mySonitrol.net Agreement if you are in default under the Agreement or upon the termination or expiration of your Franchise Agreement.
g. "Cause" defined – curable defaults	Section 17	Not applicable
h. "Cause" defined – non-curable defaults	Section 17	We may immediately and without notice terminate your mySonitrol.net Agreement if you are in default under the Agreement or upon the termination or expiration of your Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	Section 9	Not applicable
j. Assignment of contract by franchisor	Not Applicable	Not Applicable
k. "Transfer" by franchisee – defined	Not Applicable	Not Applicable
l. Franchisor approval of transfer by franchisee	Not Applicable	Not Applicable
m. Conditions for franchisor approval of transfer	Not Applicable	Not Applicable
n. Franchisor's right of first refusal to	Not Applicable	Not Applicable

	acquire franchisee's business		
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable, Subject to State Law
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable, Subject to State Law
s.	Modification of the agreement	Not Applicable	Not Applicable
t.	Integration/merger clause	Section 16	Only the terms of the mySonitrol.net Agreement are binding (subject to applicable state law). Any other representations and promises outside of the disclosure document and the mySonitrol.net Agreement may not be enforceable. However, nothing in the mySonitrol.net Agreement, or any related agreement, is intended to disclaim the representations made in the franchise disclosure document that we provided to you.
u.	Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable. Subject to applicable state law.
v.	Choice of forum	Section 15	You agree to jurisdiction and venue in the U.S. District Court for the District of Delaware. Subject to applicable state law. See State Addenda.
w.	Choice of law	Section 15	Delaware law applies. Subject to applicable state law. See State Addenda.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our franchises, nor is any public figure involved in our management or control. No public figure has invested in us.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission'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 Stanley Convergent Security Solutions, Inc., Attn: Julie Beach, Vice

President, Sonitrol, 8350 Sunlight Drive, Fishers, Indiana 46037, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

A list of our Sonitrol franchisees and the addresses and telephone numbers of their business offices is attached as Exhibit O to this disclosure document. A list of our Sonitrol company-owned Sonitrol businesses and the addresses and telephone numbers of their business offices is attached as Exhibit P to this disclosure document.

Sonitrol Franchises and Company-Owned Businesses

Following is information on franchised and company-owned Sonitrol businesses as of the end of its 2019, 2020 and 2021 fiscal years:

ITEM 20 TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS 2019/2020/2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	79	77	-2
	2020	77	74	-3
	2021	74	73	-1
Company-Owned	2019	53	56	+3
	2020	56	59	+3
	2021	59	60	+1
Total Outlets	2019	132	133	+1
	2020	133	133	0
	2021	134	133	0

Sonitrol Franchised Businesses

Following is information on transfers of franchised Sonitrol Businesses to new owners (other than to us) as of the end of the 2019, 2020 and 2021 fiscal years. States that are not listed had no activity:

ITEM 20 TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN TO FRANCHISOR)
FOR FISCAL YEARS 2019/2020/2021

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Following is information on franchised Sonitrol Businesses as of the end of the 2019, 2020 and 2021 fiscal years:

ITEM 20 TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2019/2020/2021

Col 1 State	Col 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Term-inations	Col. 6 Non-Renewals	Col 7 Re-acquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at end of the Year*
Arkansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
California	2019	17	0	0	0	1	0	16
	2020	16	0	0	0	0	0	16
	2021	16	0	0	0	0	0	16
Conn.	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Delaware[1]	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	1	0	0	0	0	9
Georgia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Hawaii	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Idaho	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Illinois	2019	2	0	0	0	1	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Indiana[2]	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Kentucky[3]	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Louisiana	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Mass.	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Michigan	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3

Col 1 State	Col 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Term-inations	Col. 6 Non-Renewals	Col 7 Re-acquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at end of the Year*
Nevada	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
New Jersey	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	2	0	1
	2021	1	0	0	0	0	0	1
North Carolina	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	2	0	2
Ohio[4]	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Oregon	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Penn.	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Rhode Island[5]	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
South Carolina	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Tennessee	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas[6]	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Utah	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wash.	2019	4	0	0	0	0	0	4
	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
Total	2019	79	0	0	0	2	0	77
	2020	77	0	1	0	2	0	74
	2021	74	1	0	0	2	0	73

Notes to Table No. 3:

[1] The franchisee based in Delaware has part of its franchised territory located within New Jersey; however, this franchisee is only listed in this chart as being located in Delaware.

[2] One of the Indiana franchisees has part of its franchised territory located within Illinois and Kentucky; however, this franchisee is only listed in this chart as being located in Indiana.

[3] One of the Kentucky franchisees has part of its franchised territory located within Indiana; however, this franchisee is only listed in this chart as being located in Kentucky.

[4] One of the Ohio franchisees has part of its franchised territory located within Indiana; however, this franchisee is only listed in this chart as being located in Ohio.

[5] The Rhode Island franchisee has part of its franchised territory located within Massachusetts; however, this franchisee is only listed in this chart as being located in Rhode Island.

[6] One of the Texas franchisees has part of its franchised territory located within New Mexico; however, this franchisee is only listed in this chart as being located in Texas.

Company-Owned Sonitrol Businesses

Following is information on company-owned Sonitrol business locations as of the end of the 2019, 2020 and 2021 fiscal years:

ITEM 20 TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS 2019/2020/2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Re-acquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at end of the Year
Alabama	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Arizona	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
California[1]	2019	6	0	1	0	0	6
	2020	6	1	0	1	0	6
	2021	6	0	0	0	0	6
Colorado	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Conn.	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Florida	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
Georgia	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Re-acquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at end of the Year
Illinois	2019	1	0	1	0	0	2
	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1
Indiana	2019	2	0	0	0	0	2
	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1
Louisiana	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Maryland	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Mass.	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Michigan	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Minnesota	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Missouri	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Nevada	2019	2	0	0	1	0	1
	2020	1	1	0	0	0	2
	2021	2	0	0	0	0	2
New Mexico	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
New York[2]	2019	2	2	0	0	0	4
	2020	4	2	1	1	0	6
	2021	6	0	0	0	0	6
North Carolina	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	2	1	0	2
Ohio	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Oklahoma	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Oregon	2019	2	0	0	0	0	2
	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3
Penn.	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Re-acquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at end of the Year
South Dakota	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Tenn.	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Texas	2019	3	1	0	0	0	4
	2020	4	1	0	1	0	4
	2021	4	0	0	0	0	4
Utah	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Virginia	2019	3	0	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Wash.	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Wisc.	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Total[1,2]	2019	53	3	2	1	0	56
	2020	56	7	1	5	0	59
	2021	59	0	2	1	0	60

Notes to Table No. 4:

1. In 2019, a California franchise was re-acquired by us, and subsequently merged into an existing company-owned location. As such, although this table reflects the re-acquisition of the franchise, because the franchised Sonitrol Business was merged into an existing company-owned outlet, the total number of company-owned outlets in California at the end of the 2019 fiscal year remained the same as the number of outlets at the beginning of the 2019 fiscal year.
2. In 2020, we re-acquired a franchised outlet in Buffalo, New York. After the re-acquisition, we closed a nearby company-owned outlet and simultaneously merged the operations of the re-acquired Buffalo outlet into a newly opened company-owned outlet. Because the last event to occur in 2020 with respect to the re-acquired Buffalo outlet was the merger of the outlet into the new company-owned Buffalo outlet, this Table 3 reflects only the opening of the company-owned Buffalo outlet and not the re-acquisition of the franchised Buffalo outlet.

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Following is information on our projections for the sale of Sonitrol franchises and the opening of company-owned Sonitrol business locations during our 2022 fiscal year:

ITEM 20 TABLE NO. 5
PROJECTED OPENINGS DURING THE 2021 FISCAL YEAR
(AS OF JANUARY 2, 2021)

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Total	0	0	0

Following is a list of the names, cities and states and current business telephone numbers (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document original issuance date:

Triad/Greensboro (Reacquired by Sonitrol)
Sonitrol Integrated Security - Triad
1250 Revolution Mill Drive, Suite 149
Greensboro, NC 27405
(336) 272-1111
Mr. Chuck Harrelson

Triad/Raleigh (Reacquired by Sonitrol)
Sonitrol Integrated Security - Triangle
901 Paverstone Drive
Raleigh, NC 27615
(919) 848-3611
Mr. Chuck Harrelson

Following is a list of the names, cities and states and current business telephone numbers (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement from the date of our most recently completed fiscal year end until the original issuance date of this disclosure document:

NONE

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

Following is a list of the names, cities and states and current business telephone numbers of franchisees that signed a Franchise Agreement during the most recently completed fiscal year but have not yet opened a franchised outlet: NONE

Following is a list of the names, cities and states and current business telephone numbers of franchisees that signed a Franchise Agreement after the date of our most recently completed fiscal year until the original issuance date of this disclosure document: NONE

Some of our franchisees have signed confidentiality clauses in the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. 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 currently selling a previously-franchised outlet now under our control.

The Sonitrol Dealer Advisory Council is trademark-specific franchisee organization that advises the franchisor on certain matters important to Sonitrol franchisees. The Sonitrol Dealer Advisory Council's

contact information is as follows: Mr. Chip Shiver, Chairman, Sonitrol Dealer Advisory Council, 6404 Thornberry Court, Mason, OH 45040, 513-719-4055, cshiver@sonitrolsw.com.

ITEM 21. FINANCIAL STATEMENTS

The audited financial statements of Stanley Black & Decker, Inc. for the fiscal years ending on January 1, 2022, January 2, 2021, and December 28, 2019 are included in this disclosure document as Exhibit A. Also included in Exhibit A are the unaudited financial statements of Stanley Black & Decker, Inc. and subsidiaries, including, condensed consolidated balance sheets for the periods ending April 2, 2022 and January 1, 2022, and, for the three months ended April 2, 2022 and April 3, 2021, consolidated statements of operations and comprehensive income condensed consolidated statements of cash flows, and consolidated statements of changes in shareowners' equity Stanley Black & Decker, Inc. has absolutely and unconditionally guaranteed to assume our duties and obligations under the Franchise Agreement. A copy of the Guarantee of Performance is included as a part of Exhibit A of this disclosure document.

ITEM 22. CONTRACTS

Attached to this disclosure document are copies of the following agreements and forms relating to the Sonitrol franchise:

Exhibit B	Franchise Agreement
Exhibit C	Monitoring Agreement
Exhibit D	Sonitrol Franchise Credit Policy and Procedures
Exhibit E	SONIP™ Equipment Purchase Agreement
Exhibit F	SONIP™ Software License Agreement
Exhibit G	SONIP™ Service Agreement
Exhibit H	mySonitrol.net Agreement
Exhibit I	Agreements Not To Disclose
Exhibit N	General Release of All Claims
Exhibit O	Mutual Release of All Claims
Exhibit Q	State Addenda

ITEM 23. RECEIPTS

The last page of this disclosure document is a detachable document acknowledging your receipt of the disclosure document. Please sign this receipt and return it directly to us at our offices at the address listed below. If this page or any other pages or exhibits are missing from your copy, please contact Stanley Convergent at this address or phone number:

Stanley Convergent Security Solutions, Inc.
Attn: Julie Beach, Vice President, Sonitrol
8350 Sunlight Drive
Fishers, Indiana 46037
(317) 567-6810
Julie.Beach@sbdinc.com

EXHIBIT A

STANLEY BLACK & DECKER, INC. FINANCIAL STATEMENTS
AND
GUARANTEE OF PERFORMANCE

Schedule II — Valuation and Qualifying Accounts
Stanley Black & Decker, Inc. and Subsidiaries
Fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019
(Millions of Dollars)

	Beginning Balance	ADDITIONS: Charged To Costs And Expenses	ADDITIONS: Charged To Other Accounts (b)	(a) Deductions	Ending Balance
Allowance for Credit Losses:					
Year Ended 2021	$ 110.9	$ 3.9	$ 3.9	$ (15.6)	$ 103.1
Year Ended 2020	$ 94.1	$ 29.0	$ 8.5	$ (20.7)	$ 110.9
Year Ended 2019	$ 81.1	$ 26.3	$ (4.8)	$ (8.5)	$ 94.1
Tax Valuation Allowance:					
Year Ended 2021 (c)	$ 1,001.9	$ 190.7	$ 61.1	$ (186.5)	$ 1,067.2
Year Ended 2020	$ 1,006.4	$ 296.9	$ (18.2)	$ (283.2)	$ 1,001.9
Year Ended 2019	$ 573.6	$ 452.1	$ 1.2	$ (20.5)	$ 1,006.4

(a) With respect to the allowance for credit losses, deductions represent amounts charged-off less recoveries of accounts previously charged-off.
(b) Amounts represent the impact of foreign currency translation, acquisitions and net transfers to/from other accounts.
(c) Refer to *Note Q, Income Taxes*, of the *Notes to Consolidated Financial Statements* in *Item 8* for further discussion.

The prior year amounts in the table above have been recast to exclude the amounts relating to businesses classified as discontinued operations. Refer to *Note T, Divestitures*, of the *Notes to Consolidated Financial Statements* in *Item 8* for further discussion.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Stanley Black & Decker, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

During the fourth quarter of 2021, the Company acquired the remaining 80 percent ownership stake in MTD Holdings Inc. ("MTD") and Excel Industries ("Excel") for approximately $1.5 billion and $374 million, respectfully. Since Stanley Black & Decker, Inc. has not yet fully incorporated the internal controls and procedures of MTD and Excel into Stanley Black & Decker, Inc.'s internal control over financial reporting, management excluded these businesses from its assessment of the effectiveness of internal control over financial reporting as of January 1, 2022. MTD accounted for 5% of Stanley Black & Decker, Inc.'s total assets as of January 1, 2022 and 1% of Stanley Black & Decker, Inc.'s net sales for the year then ended. Excel accounted for less than 1% of Stanley Black & Decker, Inc.'s total assets as of January 1, 2022 and less than 1% of Stanley Black & Decker, Inc.'s net sales for the year then ended.

Management has assessed the effectiveness of Stanley Black & Decker, Inc.'s internal control over financial reporting as of January 1, 2022. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (2013 Framework). Management concluded that based on its assessment, and the existence of material weaknesses related to the accounting for equity units issued in May 2017 and November 2019, Stanley Black & Decker, Inc.'s internal control over financial reporting was not effective as of January 1, 2022. Ernst & Young LLP, Registered Public Accounting Firm included in this annual report, has issued an attestation report on the registrant's internal control over financial reporting, a copy of which appears on page 67.

/s/ James M. Loree

James M. Loree, Chief Executive Officer

/s/ Donald Allan, Jr.

Donald Allan, Jr., President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareowners and Board of Directors of Stanley Black & Decker, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Stanley Black & Decker, Inc. (the Company) as of January 1, 2022 and January 2, 2021, the related consolidated statements of operations, comprehensive income, shareowners' equity and cash flows for each of the three years in the period ended January 1, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 1, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 1, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2022 expressed an adverse opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Acquisition of MTD Holdings, Inc.

Description of the Matter

As discussed in Note E of the consolidated financial statements, the Company acquired the remaining 80 percent ownership stake of MTD Holdings, Inc., on December 1, 2021 for a total purchase price of approximately $1.5 billion, net of cash acquired. The Company previously acquired a 20 percent interest in MTD in January 2019 for $234 million. The Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their respective fair values, which included identified intangible assets of $840 million.

Auditing the Company's accounting for the acquired intangible assets involved subjective auditor judgment due to the significant estimation required in management's determination of the fair value of customer relationships and certain tradenames. The significant estimation was primarily due to the sensitivity of the significant assumptions in determining fair value, including discount rates, projected revenue growth rates and profit margins. These assumptions related to the future performance of the acquired business, are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's accounting for business combinations. Our audit procedures included, among other procedures, testing controls over the valuation of customer relationships, including the valuation models and underlying assumptions used to develop such estimates.

To test the estimated fair value of the customer relationships and certain tradenames, we performed audit procedures that included, among other procedures, evaluating the appropriateness of the valuation methodologies and testing the significant assumptions used in the model, as described above, including the completeness and accuracy of the underlying data. We compared the significant assumptions to current industry, market and economic trends, to the historical results of the acquired business and to other guideline companies within the same industry. We performed sensitivity analyses to evaluate the change in the fair value of the customer relationships and certain tradenames that would result from changes in the discount rates, projected revenue growth rates and profit margins. We involved our internal valuation specialists to assist with our evaluation of the methodology used by the Company as well as certain assumptions within the valuation.

Annual Test of Impairment of Goodwill in the Infrastructure Reporting Unit

Description of the Matter

At January 1, 2022, the Company's goodwill balance was approximately $8,784 million. As discussed in Note A of the consolidated financial statements, goodwill is not amortized but rather is tested for impairment at least annually at the reporting unit level. The Company's goodwill is initially assigned to its reporting units as of the relevant acquisition date.

Auditing management's annual goodwill impairment test for the Infrastructure reporting unit was challenging and highly judgmental due to the significant estimation required to determine the estimated fair value of the reporting unit. In particular, the fair value estimate was sensitive to the significant assumption of revenue growth, which is affected by expected future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the determination of fair value, including the significant assumption of revenue growth discussed above, used in the Infrastructure goodwill impairment analysis. Our audit procedures included, among other procedures, testing controls over the Company's budgetary process and management's review of that information.

To test the estimated fair value of the Infrastructure reporting unit, we performed audit procedures that included, among other procedures, assessing the Company's methodologies and testing the revenue growth assumption discussed above and the underlying data used by the Company in its analysis. We compared the revenue growth rates used by management to current industry and economic trends, including, among other factors, the price of oil and scrap metal, and considering the Company's business model, customer base, product mix and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses to evaluate the change in the fair value of the reporting unit that would result from changes in the revenue growth assumption. In addition, we evaluated the reconciliation of the combined estimated fair value of the Company's reporting units to the market capitalization of the Company and assessed the resulting control premium. Further, we involved our internal valuation specialists to assist in the evaluation of the methodology and certain assumptions used to estimate the fair value of the Infrastructure reporting unit.

Uncertain Tax Positions

Description of the Matter

At January 1, 2022, the Company had recorded a liability for uncertain tax positions of approximately $488 million. As discussed in Notes A and Q of the consolidated financial statements, the Company conducts business globally and, as a result, is subject to income tax in a number of locations, including many state and foreign jurisdictions. Uncertainty in a tax position may arise as tax laws are subject to interpretation. The Company uses significant judgment in (1) determining whether a tax position's technical merits are more likely than not to be sustained and (2) measuring the amount of tax benefit that qualifies for recognition. The Company considers many factors when evaluating and estimating its tax positions such as, but not limited to, the settlements of on-going audits.

Auditing the completeness of the uncertain tax reserves is challenging and subjective due to the Company's global operations, the many tax jurisdictions in which it operates, the distinctive nature and unique facts and circumstances of each tax position and the interpretations of tax law and legal rulings.

How We Addressed the Matter in Our Audit

We identified and tested controls around the Company's judgments and determinations on tax positions, including the Company's process to verify that all uncertain tax positions are identified and considered as part of the analysis and controls addressing completeness of the uncertain tax positions.

With the support of our tax professionals, we performed an evaluation of the Company's estimates with respect to uncertain tax positions including the technical merits of the Company's tax positions. This included assessing the Company's analysis of jurisdictions with potential tax liabilities and other international tax considerations. We considered the Company's judgments and the factors involved with each significant tax position. To support our evaluation, we used our knowledge of, and experience with, the application of international and local income tax laws by the relevant income tax authorities to evaluate the Company's accounting for those tax positions. We analyzed the Company's assumptions and data used to determine the amount of tax benefit to recognize and tested the completeness and accuracy of the data used to determine the amount of tax benefits recognized and tested the accuracy of such calculations. We also evaluated the Company's income tax disclosures included in Note Q to the consolidated financial statements in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1932.
Hartford, Connecticut
February 22, 2022

Report of Independent Registered Public Accounting Firm

To the Shareowners and the Board of Directors of Stanley Black & Decker, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Stanley Black & Decker, Inc.'s internal control over financial reporting as of January 1, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, Stanley Black & Decker, Inc. (the Company) has not maintained effective internal control over financial reporting as of January 1, 2022, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in controls related to (1) the design of its control to consider financial instruments with debt- and equity-like features in the calculation of earnings per share and (2) the design of its control to consider all the relevant authoritative accounting guidance for financial instruments with debt- and equity-like features.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of MTD Holdings, Inc. or Excel Industries, which are included in the 2021 consolidated financial statements of the Company and constituted 5% and less than 1% of total and net assets, respectively, as of January 1, 2022 and 1% and less than 1% of net sales, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of MTD Holdings, Inc. or Excel Industries.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 1, 2022 and January 2, 2021, related consolidated statements of comprehensive income, shareowners' equity and cash flows for each of the three years in the period ended January 1, 2022, and the related notes and schedule listed in the Index at Item 15(a). The material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and this report does not affect our report dated February 22, 2022, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Hartford, Connecticut
February 22, 2022

Consolidated Statements of Operations
Fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019
(Millions of Dollars, Except Per Share Amounts)

	2021	2020	2019
Net Sales	**$ 15,617.2**	$ 13,057.7	$ 12,912.9
Costs and Expenses			
Cost of sales	**$ 10,423.0**	$ 8,652.3	$ 8,679.5
Selling, general and administrative	**3,236.5**	2,599.5	2,542.0
Provision for credit losses	**3.9**	29.0	26.3
Other, net	**190.1**	217.8	201.1
Loss (gain) on sales of businesses	**0.6**	13.5	(17.0)
Restructuring charges	**14.5**	73.8	138.4
Gain on equity method investment	**(68.0)**	—	—
Loss on debt extinguishments	**—**	46.9	17.9
Interest income	**(9.8)**	(17.5)	(51.9)
Interest expense	**185.4**	222.6	282.2
	$ 13,976.2	$ 11,837.9	$ 11,818.5
Earnings from continuing operations before income taxes and equity interest	**1,641.0**	1,219.8	1,094.4
Income taxes on continuing operations	**61.4**	43.0	126.8
Net earnings from continuing operations before equity interest	**1,579.6**	1,176.8	967.6
Share of net earnings (losses) of equity method investment	**19.0**	9.1	(11.2)
Net earnings from continuing operations	**1,598.6**	1,185.9	956.4
Less: Net (losses) earnings attributable to non-controlling interests	**(1.7)**	0.9	2.2
Net earnings from continuing operations attributable to Stanley Black & Decker, Inc.	**$ 1,600.3**	$ 1,185.0	$ 954.2
Less: Preferred stock dividends and beneficial conversion feature	**14.2**	24.1	1.8
Net Earnings from Continuing Operations Attributable to Common Shareowners	**$ 1,586.1**	$ 1,160.9	$ 952.4
Add: Contract adjustment payments accretion	**1.3**	1.7	1.7
Net Earnings from Continuing Operations Attributable to Common Shareowners - Diluted	**$ 1,587.4**	$ 1,162.6	$ 954.1
Earnings from discontinued operations before income taxes	**70.2**	47.2	35.6
Income taxes on discontinued operations	**(18.7)**	(1.6)	34.0
Net earnings from discontinued operations	**$ 88.9**	$ 48.8	$ 1.6
Net Earnings Attributable to Common Shareowners - Diluted	**$ 1,676.3**	$ 1,211.4	$ 955.7
Net Earnings Attributable to Stanley Black & Decker, Inc.	**$ 1,689.2**	$ 1,233.8	$ 955.8
Basic earnings per share of common stock:			
Continuing operations	**$ 9.99**	$ 7.53	$ 6.42
Discontinued operations	**$ 0.56**	$ 0.32	$ 0.01
Total basic earnings per share of common stock	**$ 10.55**	$ 7.85	$ 6.43
Diluted earnings per share of common stock:			
Continuing operations	**$ 9.62**	$ 7.16	$ 6.10
Discontinued operations	**$ 0.54**	$ 0.30	$ 0.01
Total diluted earnings per share of common stock	**$ 10.16**	$ 7.46	$ 6.11

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
Fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019
(Millions of Dollars)

	2021	2020	2019
Net Earnings from Continuing Operations Attributable to Common Shareowners	**$ 1,586.1**	$ 1,160.9	$ 952.4
Net earnings from discontinued operations	**88.9**	48.8	1.6
	$ 1,675.0	$ 1,209.7	$ 954.0
Other comprehensive (loss) income:			
Currency translation adjustment and other	**(307.7)**	281.9	(36.0)
Gains (losses) on cash flow hedges, net of tax	**53.2**	(48.8)	(27.4)
(Losses) gains on net investment hedges, net of tax	**(1.0)**	(24.5)	34.0
Pension gains (losses), net of tax	**123.6**	(37.7)	(40.9)
Other comprehensive (loss) income	**$ (131.9)**	$ 170.9	$ (70.3)
Comprehensive income attributable to common shareowners	**$ 1,543.1**	$ 1,380.6	$ 883.7

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
January 1, 2022 and January 2, 2021
(Millions of Dollars, Except Share and Per Share Amounts)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 142.3**	$ 1,241.9
Accounts and notes receivable, net	**1,560.8**	1,164.5
Inventories, net	**5,446.8**	2,638.9
Current assets held for sale	**763.2**	629.3
Prepaid expenses	**507.3**	326.8
Other current assets	**106.0**	34.6
Total Current Assets	**8,526.4**	6,036.0
Property, Plant and Equipment, net	**2,347.1**	1,973.1
Goodwill	**8,784.2**	8,086.5
Customer Relationships, net	**2,004.4**	1,548.2
Trade Names, net	**2,681.8**	2,270.5
Other Intangible Assets, net	**13.3**	19.0
Long-term assets held for sale	**2,420.2**	2,518.8
Other Assets	**1,402.6**	1,114.2
Total Assets	**$ 28,180.0**	$ 23,566.3
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities		
Short-term borrowings	**$ 2,241.1**	$ 1.5
Current maturities of long-term debt	**1.3**	—
Accounts payable	**3,438.9**	2,320.0
Accrued expenses	**2,697.8**	1,846.2
Liabilities held for sale	**388.3**	390.6
Total Current Liabilities	**8,767.4**	4,558.3
Long-Term Debt	**4,353.6**	4,245.4
Deferred Taxes	**711.2**	500.5
Post-Retirement Benefits	**474.1**	629.4
Long-term liabilities held for sale	**130.4**	162.9
Other Liabilities	**2,150.9**	2,403.4
Commitments and Contingencies *(Notes R and S)*		
Shareowners' Equity		
Stanley Black & Decker, Inc. Shareowners' Equity		
Preferred stock, without par value: Authorized 10,000,000 shares in 2021 and 2020 Issued and outstanding 750,000 shares in 2021 and 1,500,000 shares in 2020	**620.3**	1,370.3
Common stock, par value $2.50 per share: Authorized 300,000,000 shares in 2021 and 2020 Issued 176,902,738 shares in 2021 and 2020	**442.3**	442.3
Retained earnings	**8,742.4**	7,542.2
Additional paid in capital	**4,999.2**	4,967.8
Accumulated other comprehensive loss	**(1,845.6)**	(1,713.7)
	12,958.6	12,608.9
Less: cost of common stock in treasury (13,573,962 shares in 2021 and 16,150,476 shares in 2020)	**(1,368.1)**	(1,549.3)
Stanley Black & Decker, Inc. Shareowners' Equity	**11,590.5**	11,059.6
Non-controlling interests	**1.9**	6.8
Total Shareowners' Equity	**11,592.4**	11,066.4
Total Liabilities and Shareowners' Equity	**$ 28,180.0**	$ 23,566.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019
(Millions of Dollars)

	2021	2020	2019
Operating Activities:			
Net earnings from continuing operations	**$ 1,598.6**	$ 1,185.9	$ 956.4
Net earnings from discontinued operations	**88.9**	48.8	1.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	**374.0**	376.5	372.8
Amortization of intangibles	**203.1**	201.6	187.4
Inventory step-up amortization	**20.7**	29.0	7.4
Loss (gain) on sales of businesses	**0.6**	13.5	(17.0)
Gain on equity method investment	**(68.0)**	—	—
Loss on debt extinguishments	**—**	46.9	17.9
Craftsman contingent consideration remeasurement	**101.1**	—	—
Stock-based compensation expense	**118.3**	109.1	88.8
Provision for credit losses	**18.7**	41.1	33.0
Share of net (earnings) losses of equity method investment	**(19.0)**	(9.1)	11.2
Deferred tax (benefit) expense	**(386.9)**	(241.7)	(17.9)
Other non-cash items	**27.7**	44.7	(13.8)
Changes in operating assets and liabilities:			
Accounts receivable	**(280.6)**	(39.6)	137.8
Inventories	**(1,970.4)**	(401.5)	137.7
Accounts payable	**758.3**	310.4	(169.1)
Deferred revenue	**1.9**	(0.3)	8.5
Other current assets	**(166.8)**	(100.2)	(183.6)
Other long-term assets	**(438.8)**	(14.0)	(37.3)
Accrued expenses	**444.0**	381.7	123.6
Defined benefit liabilities	**(40.0)**	(40.2)	(47.6)
Other long-term liabilities	**277.7**	79.5	(92.1)
Net cash provided by operating activities	**663.1**	2,022.1	1,505.7
Investing Activities:			
Capital and software expenditures	**(519.1)**	(348.1)	(424.7)
Sales of assets	**8.4**	19.9	100.1
Business acquisitions, net of cash acquired	**(2,043.8)**	(1,324.4)	(685.4)
Sales of businesses, net of cash sold	**5.3**	59.1	76.6
Purchases of investments	**(15.4)**	(18.7)	(260.6)
Net investment hedge settlements	**(55.1)**	41.0	8.0
Other	**(4.1)**	(5.9)	(22.6)
Net cash used in investing activities	**(2,623.8)**	(1,577.1)	(1,208.6)
Financing Activities:			
Payments on long-term debt	**(1.5)**	(1,154.3)	(1,150.0)
Proceeds from debt issuances, net of fees	**—**	2,222.5	496.2
Net short-term borrowings (repayments)	**2,224.6**	(342.6)	(18.1)
Stock purchase contract fees	**(39.4)**	(59.8)	(40.3)
Purchases of common stock for treasury	**(34.3)**	(26.2)	(27.5)
Proceeds from issuance of 2019 Equity Units	**—**	—	735.0
Premium paid on equity options	**—**	—	(19.2)
Proceeds from issuance of remarketed preferred stock	**—**	750.0	—
Premium paid on debt extinguishment	**—**	(48.7)	—
Proceeds from issuances of common stock	**131.4**	147.0	146.0
Redemption and conversion of preferred stock	**(750.0)**	—	—
Craftsman deferred purchase price	**—**	(250.0)	—
Craftsman contingent consideration	**(29.3)**	(45.9)	—
CAM contingent consideration	**—**	(94.4)	—
Termination of interest rate swaps	**(75.3)**	(20.5)	(1.0)
Cash dividends on common stock	**(474.8)**	(431.8)	(402.0)
Cash dividends on preferred stock	**(18.9)**	(18.8)	—
Other	**(13.8)**	(10.6)	(11.6)
Net cash provided by (used in) financing activities	**918.7**	615.9	(292.5)
Effect of exchange rate changes on cash and cash equivalents	**(61.5)**	22.8	(1.4)
Change in cash, cash equivalents and restricted cash	**(1,103.5)**	1,083.7	3.2
Cash, cash equivalents and restricted cash, beginning of year	**1,398.3**	314.6	311.4
Cash, cash equivalents and restricted cash, end of year	**$ 294.8**	$ 1,398.3	$ 314.6

The following table provides a reconciliation of the cash, cash equivalents and restricted cash balances as of January 1, 2022 and January 2, 2021, as shown above:

	January 1, 2022	January 2, 2021
Cash and cash equivalents	**$ 142.3**	$ 1,241.9
Restricted cash included in Other current assets	**7.6**	17.3
Cash and cash equivalents included in Current assets held for sale	**144.9**	139.1
Cash, cash equivalents and restricted cash	**$ 294.8**	$ 1,398.3

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Equity
Fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019
(Millions of Dollars, Except Share and Per Share Amounts)

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	ESOP	Treasury Stock	Non-Controlling Interests	Shareowners' Equity
Balance December 29, 2018	**$ 607.9**	**$ 442.3**	**$ 4,766.0**	**$ 6,216.1**	**$ (1,814.3)**	**$(10.5)**	**$(2,371.3)**	**$ 3.7**	**$ 7,839.9**
Net earnings				955.8				2.2	958.0
Other comprehensive loss					(70.3)				(70.3)
Cash dividends declared — $2.70 per share				(402.0)					(402.0)
Issuance of common stock (2,391,336 shares)			(68.0)				214.0		146.0
Repurchase of common stock (187,377 shares)							(27.5)		(27.5)
Issuance of preferred stock (750,000 shares)	620.3								620.3
Premium paid on equity option			(19.2)						(19.2)
Stock-based compensation related			88.8						88.8
ESOP						8.2			8.2
Beneficial conversion feature	1.8			(1.8)					—
Balance December 28, 2019	**$ 1,230.0**	**$ 442.3**	**$ 4,767.6**	**$ 6,768.1**	**$ (1,884.6)**	**$ (2.3)**	**$(2,184.8)**	**$ 5.9**	**$ 9,142.2**
Net earnings				1,233.8				0.9	1,234.7
Other comprehensive income					170.9				170.9
Cash dividends declared — $2.78 per share				(431.8)					(431.8)
Cash dividends declared — $50.00 per annum per preferred share				(23.4)					(23.4)
Issuance of common stock (2,010,644 shares)			(32.1)				179.1		147.0
Repurchase of common stock (228,541 shares)			10.0				(36.2)		(26.2)
Conversion of original Series C Preferred Stock (5,463,750 shares)	(610.4)		113.2				492.6		(4.6)
Issuance of remarketed Series C Preferred Stock	750.0								750.0
Stock-based compensation related			109.1						109.1
ESOP						2.3			2.3
Adoption of ASU 2016-13				(3.8)					(3.8)
Beneficial conversion feature	0.7			(0.7)					—
Balance January 2, 2021	**$ 1,370.3**	**$ 442.3**	**$ 4,967.8**	**$ 7,542.2**	**$ (1,713.7)**	**$ —**	**$(1,549.3)**	**$ 6.8**	**$ 11,066.4**
Net earnings				1,689.2				(1.7)	1,687.5
Other comprehensive loss					(131.9)				(131.9)
Cash dividends declared — $2.98 per common share				(474.8)					(474.8)
Cash dividends declared — $50.00 per annum per preferred share				(14.2)					(14.2)
Issuance of common stock (1,636,532 shares)			(19.0)				150.4		131.4
Repurchase of common stock (529,073 shares)			72.2				(106.5)		(34.3)
Redemption and conversion of preferred stock (1,469,055 shares)	(750.0)		(137.3)				137.3		(750.0)
Stock-based compensation related			118.3						118.3
Non-controlling interest buyout			(2.8)					(3.2)	(6.0)
Balance January 1, 2022	**$ 620.3**	**$ 442.3**	**$ 4,999.2**	**$ 8,742.4**	**$ (1,845.6)**	**$ —**	**$(1,368.1)**	**$ 1.9**	**$ 11,592.4**

See Notes to Consolidated Financial Statements.

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION — The Consolidated Financial Statements include the accounts of Stanley Black & Decker, Inc. and its majority-owned subsidiaries (collectively the "Company") which require consolidation, after the elimination of intercompany accounts and transactions. The Company's fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in fiscal year 2021, 53 weeks in the fiscal years 2020, and 52 weeks in fiscal year 2019.

In December 2021, the Company acquired the remaining 80 percent ownership stake in MTD Holdings Inc. ("MTD"), a privately held global manufacturer of outdoor power equipment. The Company previously acquired a 20 percent interest in MTD in January 2019. Prior to closing on the remaining 80 percent ownership stake, the Company applied the equity method of accounting to the 20% investment in MTD. In November 2021, the Company acquired Excel Industries ("Excel"), a leading designer and manufacturer of premium commercial and residential turf-care equipment. These acquisitions are being accounted for as business combinations using the acquisition method of accounting and the results subsequent to the dates of acquisition are included in the Company's Tools & Storage segment.

In February 2020, the Company acquired Consolidated Aerospace Manufacturing, LLC ("CAM"). In March 2019, the Company acquired International Equipment Solutions Attachments businesses, Paladin and Pengo, ("IES Attachments"). The 2020 and 2019 acquisitions were accounted for as business combinations using the acquisition method of accounting and the results subsequent to the respective dates of acquisition are included in the Company's Industrial segment.

Refer to *Note E, Acquisitions and Investments*, for further discussion on these transactions.

In December 2021, upon announcing it reached a definitive agreement for the sale of most of its Security assets, the Company classified the Convergent Security Solutions ("CSS") business as held for sale on the Company's Consolidated Balance Sheets as of January 1, 2022 and January 2, 2021. The operating results of CSS have been reported as discontinued operations in the Consolidated Financial Statements. Amounts previously reported have been reclassified to conform to this presentation in accordance with Accounting Standard Codification ("ASC") 205*, Presentation of Financial Statements* ("ASC 205")*,* to allow for meaningful comparison of continuing operations.

In November 2020, the Company sold its commercial electronic operations in five countries in Europe and emerging markets within the Security segment. In October 2020, the Company sold a product line in Oil & Gas within the Industrial segment. The operating results of these businesses have been reported in the Consolidated Financial Statements through the dates of sale in 2020 and for the year ended December 28, 2019.

In May 2019, the Company sold its Sargent & Greenleaf mechanical locks business within the Security segment. The operating results of this business have been reported in the Consolidated Financial Statements through the date of sale in 2019.

Refer to *Note T, Divestitures*, for further discussion on these transactions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Certain amounts reported in previous years have been reclassified to conform to the 2021 presentation.

FOREIGN CURRENCY — For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, while income and expenses are translated using average exchange rates. Translation adjustments are reported in a separate component of shareowners' equity and exchange gains and losses on transactions are included in earnings.

CASH EQUIVALENTS — Highly liquid investments with original maturities of three months or less are considered cash equivalents.

ACCOUNTS AND FINANCING RECEIVABLE — Trade receivables are stated at gross invoice amounts less discounts, other allowances and provisions for credit losses. Financing receivables are initially recorded at fair value, less impairments or provisions for credit losses. Interest income earned from financing receivables that are not delinquent is recorded on the effective interest method. The Company considers any financing receivable that has not been collected within 90 days of

original billing date as past-due or delinquent. The Company's payment terms are generally consistent with the industries in which its businesses operate and typically range from 30-90 days globally. Additionally, the Company considers the credit quality of all past-due or delinquent financing receivables as nonperforming. The Company does not adjust the promised amount of consideration for the effects of a significant financing component when the period between transfer of the product and receipt of payment is less than one year. Any significant financing components for contracts greater than one year are included in revenue over time.

ALLOWANCE FOR CREDIT LOSSES — The Company maintains an allowance for credit losses, which represents an estimate of expected losses over the remaining contractual life of its receivables. The allowance is determined using two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. Second, a reserve is determined for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection rates, write-off experience, and forecasts of future economic conditions. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful.

INVENTORIES — U.S. inventories are primarily valued at the lower of Last-In First-Out ("LIFO") cost or market because the Company believes it results in better matching of costs and revenues. Other inventories are primarily valued at the lower of First-In, First-Out ("FIFO") cost and net realizable value because LIFO is not permitted for statutory reporting outside the U.S. Refer to *Note C, Inventories*, for a quantification of the LIFO impact on inventory valuation.

PROPERTY, PLANT AND EQUIPMENT — The Company generally values property, plant and equipment ("PP&E"), including capitalized software, at historical cost less accumulated depreciation and amortization. Costs related to maintenance and repairs which do not prolong the asset's useful life are expensed as incurred. Depreciation and amortization are provided using straight-line methods over the estimated useful lives of the assets as follows:

	Useful Life (Years)
Land improvements	10 — 20
Buildings	40
Machinery and equipment	3 — 15
Computer software	3 — 7

Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

The Company reports depreciation and amortization of property, plant and equipment in cost of sales and selling, general and administrative expenses based on the nature of the underlying assets. Depreciation and amortization related to the production of inventory and delivery of services are recorded in cost of sales. Depreciation and amortization related to distribution center activities, selling and support functions are reported in selling, general and administrative expenses.

The Company assesses its long-lived assets for impairment when indicators that the carrying amounts may not be recoverable are present. In assessing long-lived assets for impairment, the Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are generated ("asset group") and estimates the undiscounted future cash flows that are directly associated with, and expected to be generated from, the use of and eventual disposition of the asset group. If the carrying value is greater than the undiscounted cash flows, an impairment loss must be determined and the asset group is written down to fair value. The impairment loss is quantified by comparing the carrying amount of the asset group to the estimated fair value, which is generally determined using weighted-average discounted cash flows that consider various possible outcomes for the disposition of the asset group.

GOODWILL AND INTANGIBLE ASSETS — Goodwill represents costs in excess of values assigned to the underlying net assets of acquired businesses. Intangible assets acquired are recorded at estimated fair value. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are tested for impairment annually during the third quarter, and at any time when events suggest an impairment more likely than not has occurred.

To assess goodwill for impairment, the Company, depending on relevant facts and circumstances, performs either a qualitative assessment or a quantitative analysis utilizing a discounted cash flow valuation model. In performing a qualitative assessment, the Company first assesses relevant factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The Company identifies and considers the significance of relevant key factors, events, and circumstances that could affect the fair value of each reporting unit. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. The Company also considers changes in each reporting unit's fair value and carrying amount since the most recent date a fair value measurement was

performed. In performing a quantitative analysis, the Company determines the fair value of a reporting unit using management's assumptions about future cash flows based on long-range strategic plans. This approach incorporates many assumptions including discount rates, future growth rates and expected profitability. In the event the carrying amount of a reporting unit exceeded its fair value, an impairment loss would be recognized.

Indefinite-lived intangible assets are tested for impairment utilizing either a qualitative assessment or a quantitative analysis. For a qualitative assessment, the Company identifies and considers relevant key factors, events, and circumstances to determine whether it is necessary to perform a quantitative impairment test. The key factors considered include macroeconomic, industry, and market conditions, as well as the asset's actual and forecasted results. For the quantitative impairment tests, the Company compares the carrying amounts to the current fair market values, usually determined by the estimated royalty savings attributable to owning the intangible assets. Intangible assets with definite lives are amortized over their estimated useful lives to reflect the pattern over which the economic benefits of the intangible assets are consumed. Definite-lived intangible assets are also evaluated for impairment when impairment indicators are present. If the carrying amount exceeds the total undiscounted future cash flows, a discounted cash flow analysis is performed to determine the fair value of the asset. If the carrying amount of the asset was to exceed the fair value, it would be written down to fair value. No significant goodwill or other intangible asset impairments were recorded during 2021, 2020 or 2019.

FINANCIAL INSTRUMENTS — Derivative financial instruments are employed to manage risks, including foreign currency, interest rate exposures and commodity prices and are not used for trading or speculative purposes. As part of the Company's risk management program, a variety of financial instruments such as interest rate swaps, currency swaps, purchased currency options, foreign exchange contracts and commodity contracts, may be used to mitigate interest rate exposure, foreign currency exposure and commodity price exposure. The Company recognizes all derivative instruments on the balance sheet at fair value.

Changes in the fair value of derivatives are recognized periodically either in earnings or in shareowners' equity as a component of other comprehensive income (loss) ("OCI"), depending on whether the derivative financial instrument is undesignated or qualifies for hedge accounting, and if so, whether it represents a fair value, cash flow, or net investment hedge. Changes in the fair value of derivatives accounted for as fair value hedges are recorded in earnings in the same caption as the changes in the fair value of the hedged items. Gains and losses on derivatives designated as cash flow hedges, to the extent they are included in the assessment of effectiveness, are recorded in OCI and subsequently reclassified to earnings to offset the impact of the hedged items when they occur. In the event it becomes probable the forecasted transaction to which a cash flow hedge relates will not occur, the derivative would be terminated and the amount in accumulated other comprehensive income (loss) would be recognized in earnings. Changes in the fair value of derivatives that are designated and qualify as a hedge of the net investment in foreign operations, to the extent they are included in the assessment of effectiveness, are reported in OCI and are deferred until disposal of the underlying assets. Gains and losses representing components excluded from the assessment of effectiveness for cash flow and fair value hedges are recognized in earnings on a straight-line basis in the same caption as the hedged item over the term of the hedge. Gains and losses representing components excluded from the assessment of effectiveness for net investment hedges are recognized in earnings on a straight-line basis in Other, net over the term of the hedge.

The net interest paid or received on interest rate swaps is recognized as interest expense. Gains and losses resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period of the debt originally covered by the terminated swap.

Changes in the fair value of derivatives not designated as hedges are reported in Other, net in the Consolidated Statements of Operations. Refer to *Note I, Financial Instruments*, for further discussion.

REVENUE RECOGNITION — The Company's revenues result from the sale of goods or services and reflect the consideration to which the Company expects to be entitled. The Company records revenue based on a five-step model in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). For its contracts with customers, the Company identifies the performance obligations (goods or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when (or as) the performance obligation is transferred to the customer. A good or service is transferred when (or as) the customer obtains control of that good or service. The majority of the Company's revenues are recorded at a point in time from the sale of tangible products.

A portion of the Company's revenues within the CSS and Infrastructure businesses is generated from equipment leased to customers. Customer arrangements are identified as leases if they include transfer of a tangible asset which is provided to the customer in exchange for payments typically at fixed rates payable monthly, quarterly or annually. Customer leases may include terms to allow for extension of leases for a short period of time, but typically do not provide for customer termination prior to the initial term. Some customer leases include terms to allow the customer to purchase the underlying asset, which occurs occasionally, and virtually no customer leases include residual value guarantee clauses. Within the CSS business, the

underlying asset typically has no value at termination of the customer lease, so no residual value asset is recorded in the financial statements. For Infrastructure business leases, underlying assets are assessed for functionality at termination of the lease and, if necessary, an impairment to the leased asset value is recorded.

Provisions for customer volume rebates, product returns, discounts and allowances are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are calculated using historical averages adjusted for any expected changes due to current business conditions. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue except to the extent that there is a distinct good or service and evidence of the fair value of the advertising, in which case the expense is classified as selling, general, and administrative expense.

The Company's revenues can be generated from contracts with multiple performance obligations. When a contract involves multiple performance obligations, each obligation is separately identified and the transaction price is allocated based on the amount of consideration the Company expects to be entitled to in exchange for transferring the promised good or service to the customer.

Sales of security monitoring systems, within the CSS business, may have multiple performance obligations, including equipment, installation and monitoring or maintenance services. In most instances, the Company allocates the appropriate amount of consideration to each performance obligation based on the standalone selling price ("SSP") of the distinct goods or services performance obligation. In circumstances where SSP is not observable, the Company allocates the consideration for the performance obligations by utilizing one of the following methods: expected cost plus margin, the residual approach, or a mix of these estimation methods.

For performance obligations that the Company satisfies over time, revenue is recognized by consistently applying a method of measuring progress toward complete satisfaction of that performance obligation. The Company utilizes the method that most accurately depicts the progress toward completion of the performance obligation.

The Company's contract sales for the installation of security intruder systems and other construction-related projects, within the CSS business, are generally recorded under the input method. The input method recognizes revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation relative to the total inputs expected to satisfy that performance obligation. Revenue recognized on security contracts in process are based upon the allocated contract price and related total inputs of the project at completion. The extent of progress toward completion is generally measured using input methods based on labor metrics. Revisions to these estimates as contracts progress have the effect of increasing or decreasing profits each period. Provisions for anticipated losses are made in the period in which they become determinable. The revenues for monitoring and monitoring-related services are recognized as services are rendered over the contractual period.

The Company utilizes the output method for contract sales in the Oil & Gas product line. The output method recognizes revenue based on direct measurements of the customer value of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The output method includes methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed, and units produced or units delivered.

Contract assets or liabilities result from transactions with revenue recorded over time. If the measure of remaining rights exceeds the measure of the remaining performance obligations, the Company records a contract asset. Conversely, if the measure of the remaining performance obligations exceeds the measure of the remaining rights, the Company records a contract liability.

Incremental costs of obtaining or fulfilling a contract with a customer that are expected to be recovered are recognized and classified in Other current assets or Other assets in the Consolidated Balance Sheets and are typically amortized over the contract period. The Company recognizes the incremental costs of obtaining or fulfilling a contract as expense when incurred if the amortization period of the asset is one year or less.

Customer billings for services not yet rendered are deferred and recognized as revenue as the services are rendered. The associated deferred revenue is included in Accrued expenses or Other liabilities, as appropriate, in the Consolidated Balance Sheets.

Refer to *Note B, Accounts and Notes Receivable,* for further discussion.

COST OF SALES AND SELLING, GENERAL & ADMINISTRATIVE — Cost of sales includes the cost of products and services provided, reflecting costs of manufacturing and preparing the product for sale. These costs include expenses to acquire

and manufacture products to the point that they are allocable to be sold to customers and costs to perform services pertaining to service revenues (e.g. installation of security systems, automatic doors, and security monitoring costs). Cost of sales is primarily comprised of freight, direct materials, direct labor as well as overhead which includes indirect labor and facility and equipment costs. Cost of sales also includes quality control, procurement and material receiving costs as well as internal transfer costs. Selling, general & administrative costs ("SG&A") include the cost of selling products as well as administrative function costs. These expenses generally represent the cost of selling and distributing the products once they are available for sale and primarily include salaries and commissions of the Company's sales force, distribution costs, notably salaries and facility costs, as well as administrative expenses for certain support functions and related overhead.

ADVERTISING COSTS — Television advertising is expensed the first time the advertisement airs, whereas other advertising is expensed as incurred. Advertising costs are classified in SG&A and amounted to $98.6 million in 2021, $76.6 million in 2020 and $90.5 million in 2019. Expense pertaining to cooperative advertising with customers reported as a reduction of Net Sales was $374.1 million in 2021, $351.0 million in 2020 and $317.8 million in 2019. Cooperative advertising with customers classified as SG&A expense amounted to $19.5 million in 2021, $15.8 million in 2020 and $5.6 million in 2019.

SALES TAXES — Sales and value added taxes collected from customers and remitted to governmental authorities are excluded from Net Sales reported in the Consolidated Statements of Operations.

SHIPPING AND HANDLING COSTS — The Company generally does not bill customers for freight. Shipping and handling costs associated with inbound and outbound freight are reported in Cost of sales. Distribution costs are classified in SG&A and amounted to $416.5 million, $347.3 million and $326.5 million in 2021, 2020 and 2019, respectively.

STOCK-BASED COMPENSATION — Compensation cost relating to stock-based compensation grants is recognized on a straight-line basis over the vesting period, which is generally four years. The expense for stock options and restricted stock units awarded to retirement-eligible employees (those aged 55 and over, and with 10 or more years of service) is recognized on the grant date, or (if later) by the date they become retirement-eligible.

POSTRETIREMENT DEFINED BENEFIT PLAN — The Company uses the corridor approach to determine expense recognition for each defined benefit pension and other postretirement plan. The corridor approach defers actuarial gains and losses resulting from variances between actual and expected results (based on economic estimates or actuarial assumptions) and amortizes them over future periods. For pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. For ongoing, active plans, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining service period for active plan participants. For plans with primarily inactive participants, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining life expectancy of inactive plan participants.

INCOME TAXES — The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. Any changes in tax rates on deferred tax assets and liabilities are recognized in earnings in the period that includes the enactment date. The Company recognizes the tax on global intangible low-taxed income as a period expense in the period the tax is incurred.

The Company records net deferred tax assets to the extent that it is more likely than not that these assets will be realized. In making this determination, management considers all available positive and negative evidence, including future reversals of existing temporary differences, estimates of future taxable income, tax-planning strategies, and the realizability of net operating loss carryforwards. In the event that it is determined that an asset is not more likely that not to be realized, a valuation allowance is recorded against the asset. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. Conversely, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period that the determination was made. The Company records uncertain tax positions in accordance with ASC 740, which requires a two-step process. First, management determines whether it is more likely than not that a tax position will be sustained based on the technical merits of the position and second, for those tax positions that meet the more likely than not threshold, management recognizes the largest amount of the tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company maintains

an accounting policy of recording interest and penalties on uncertain tax positions as a component of Income taxes in the Consolidated Statements of Operations.

The Company is subject to income tax in a number of locations, including many state and foreign jurisdictions. Significant judgment is required when calculating the worldwide provision for income taxes. Many factors are considered when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next twelve months. These changes may be the result of settlements of ongoing audits, litigation, or other proceedings with taxing authorities. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most current available information, which involves inherent uncertainty.

Refer to *Note Q, Income Taxes,* for further discussion.

EARNINGS PER SHARE — Basic earnings per share equals net earnings attributable to common shareowners divided by weighted-average shares outstanding during the year. Diluted earnings per share include the impact of common stock equivalents using the treasury stock method or the if-converted method, as applicable, when the effect is dilutive.

NEW ACCOUNTING STANDARDS ADOPTED — In January 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The new standard clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted this guidance in the first quarter of 2021 and it did not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740).* The new standard simplifies the accounting for income taxes by removing certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. The new standard also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted this standard in the first quarter of 2021 and it did not have a material impact on the Company’s consolidated financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET ADOPTED — In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new standard improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. The new standard requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company will adopt this guidance in the first quarter of 2022 and does not expect it to have a material impact on its consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings per share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Equity (Subtopic 815-40).* The new standard clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied prospectively. The Company will adopt this guidance in the first quarter of 2022 and does not expect it to have a material impact on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06*, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40).* The new standard reduces the number of accounting models for convertible debt instruments and convertible preferred stock, and amends the guidance for the derivatives scope exception for contracts in an entity's own equity. The standard also amends and makes targeted improvements to the related earnings per share guidance. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The standard allows for either modified or full retrospective transition methods. The Company will adopt this guidance in the first quarter of 2022.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The new standard provides optional expedients and exceptions that companies can apply during a limited time period to account for contracts, hedging relationships, and other transactions affected by reference rate reform, if certain criteria are met. Companies may elect to apply these optional expedients and exceptions beginning March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848),* to clarify the scope of Topic 848 and provide explicit guidance to help companies applying optional expedients and exceptions. This ASU is effective immediately for all entities that have applied optional expedients and exceptions. The Company plans to apply certain optional expedients and exceptions as needed to comply with regulatory and tax authorities for the transition to alternative reference rates. The Company does not expect adoption to have a material impact to its consolidated financial statements.

B. ACCOUNTS AND NOTES RECEIVABLE

(Millions of Dollars)	2021	2020
Trade accounts receivable	**$ 1,484.5**	$ 1,136.2
Trade notes receivable	**75.3**	73.5
Other accounts receivable	**104.1**	65.7
Gross accounts and notes receivable	**1,663.9**	1,275.4
Allowance for credit losses	**(103.1)**	(110.9)
Accounts and notes receivable, net	**$ 1,560.8**	$ 1,164.5

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. Adequate reserves have been established to cover anticipated credit losses. During the fourth quarter of 2021, as part of the acquisition of MTD, the Company acquired accounts receivable of $272.6 million. Refer to *Note E, Acquisitions and Investments*, for further discussion.

The changes in the allowance for credit losses for the years ended January 1, 2022 and January 2, 2021 are as follows:

(Millions of Dollars)	2021	2020
Beginning Balance	**$ 110.9**	$ 94.1
Cumulative Effect Adjustment (a)	**—**	1.1
Charged To Costs and Expenses	**3.9**	29.0
Charged To Other Accounts (b)	**3.9**	7.4
Deductions (c)	**(15.6)**	(20.7)
Balance end of period	**$ 103.1**	$ 110.9

(a) Represents the cumulative-effect adjustment to opening retained earnings due to the adoption of ASU 2016-13.

(b) Amounts represent the impacts of foreign currency translation, acquisitions and net transfers to/from other accounts.

(c) Amounts represent charge-offs less recoveries of accounts previously charged-off.

The Company's payment terms are generally consistent with the industries in which their businesses operate and typically range from 30-90 days globally. The Company does not adjust the promised amount of consideration for the effects of a significant financing component when the period between transfer of the product and receipt of payment is less than one year. Any significant financing components for contracts greater than one year are included in revenue over time.

At January 1, 2022 and January 2, 2021, the Industrial segment operating lease receivable was $21.2 million and $36.7 million, respectively, from leasing equipment to customers. Net sales from operating lease revenue were $62.0 million and $113.7 million for the years ended January 1, 2022 and January 2, 2021, respectively.

The Company has an accounts receivable sale program. According to the terms, the Company sells certain of its trade accounts receivables at fair value to a wholly owned, consolidated, bankruptcy-remote special purpose subsidiary (“BRS"). The BRS, in turn, can sell such receivables to a third-party financial institution (“Purchaser”) for cash. The Purchaser’s maximum cash investment in the receivables at any time is $110.0 million. The purpose of the program is to provide liquidity to the Company. These transfers qualify as sales under ASC 860, *Transfers and Servicing,* and receivables are derecognized from the Company’s Consolidated Balance Sheets when the BRS sells those receivables to the Purchaser. The Company has no retained interests in the transferred receivables, other than collection and administrative responsibilities. At January 1, 2022, the Company did not

record a servicing asset or liability related to its retained responsibility based on its assessment of the servicing fee, market values for similar transactions and its cost of servicing the receivables sold.

At January 1, 2022 and January 2, 2021, net receivables of approximately $100.0 million and $86.8 million, respectively, were derecognized. Proceeds from transfers of receivables to the Purchaser totaled $447.7 million and $259.6 million for the years ended January 1, 2022 and January 2, 2021, respectively, and payments to the Purchaser totaled $434.5 million and $272.8 million, respectively. The program resulted in a pre-tax loss of $2.0 million and $1.7 million for the years ended January 1, 2022 and January 2, 2021, respectively, which included service fees of $0.9 million and $0.6 million, respectively. All cash flows under the program are reported as a component of changes in accounts receivable within operating activities in the Consolidated Statements of Cash Flows since all the cash from the Purchaser is received upon the initial sale of the receivable.

As of January 1, 2022 and January 2, 2021, the Company's deferred revenue totaled $126.7 million and $131.0 million, respectively, of which $42.2 million and $39.4 million, respectively, was classified as current. Revenue recognized for the years ended January 1, 2022 and January 2, 2021 that was previously deferred as of January 2, 2021 and December 28, 2019 totaled $24.0 million and $30.4 million, respectively.

C. INVENTORIES

(Millions of Dollars)	2021	2020
Finished products	**$ 3,508.1**	$ 1,883.6
Work in process	**393.9**	169.2
Raw materials	**1,544.8**	586.1
Total	**$ 5,446.8**	$ 2,638.9

Net inventories in the amount of $2.6 billion at January 1, 2022 and $1.3 billion at January 2, 2021 were valued at the lower of LIFO cost or market. If the LIFO method had not been used, inventories would have been higher than reported by $228.5 million at January 1, 2022 and $45.8 million at January 2, 2021.

As part of the MTD and Excel acquisitions in the fourth quarter of 2021, the Company acquired inventory with an estimated fair value of $900.7 million and $49.9 million, respectfully. Refer to *Note E, Acquisitions and Investments*, for further discussion.

D. PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)	2021	2020
Land	**$ 143.1**	$ 136.7
Land improvements	**61.2**	56.5
Buildings	**745.9**	639.9
Leasehold improvements	**169.6**	162.9
Machinery and equipment	**3,412.9**	2,984.3
Computer software	**476.3**	425.5
Property, plant & equipment, gross	**$ 5,009.0**	$ 4,405.8
Less: accumulated depreciation and amortization	**(2,661.9)**	(2,432.7)
Property, plant & equipment, net	**$ 2,347.1**	$ 1,973.1

Depreciation and amortization expense associated with property, plant and equipment was as follows:

(Millions of Dollars)	2021	2020	2019
Depreciation	**$ 326.3**	$ 332.6	$ 325.2
Amortization	**47.7**	43.9	47.6
Depreciation and amortization expense	**$ 374.0**	$ 376.5	$ 372.8

The amounts above are inclusive of depreciation and amortization expense for discontinued operations amounting to $22.1 million in 2021, $21.1 million in 2020, and $19.7 million in 2019.

E. ACQUISITIONS AND INVESTMENTS

2021 ACQUISITIONS

MTD

On December 1, 2021, the Company acquired the remaining 80 percent ownership stake in MTD, a privately held global manufacturer of outdoor power equipment, for $1.5 billion, net of cash acquired and an estimated working capital adjustment. The Company previously acquired a 20 percent interest in MTD in January 2019 for $234 million. The Company's pre-existing 20% equity investment in MTD was remeasured at fair value of $295.1 million as of the transaction date based on the purchase price for the remaining 80 percent ownership, which was calculated using an EBITDA-based formula. As a result, the Company recorded a $68.0 million gain recognized in Gain on equity method investment in the Consolidated Statements of Operations.

MTD designs, manufactures and distributes lawn tractors, zero turn ride on mowers, walk behind mowers, snow blowers, residential robotic mowers, handheld outdoor power equipment and garden tools for both residential and professional consumers under well-known brands like Cub Cadet® and Troy-Bilt®. This combination will create a global leader in the outdoor category, with strong brands and growth opportunities. The results of MTD subsequent to the date of acquisition are included in the Company's Tools & Storage segment.

The MTD acquisition is being accounted for as a business combination using the acquisition method of accounting, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The following table summarizes the estimated acquisition date value of identifiable net assets acquired and liabilities assumed:

(Millions of Dollars)		
Cash and cash equivalents	$	111.6
Accounts receivable, net		272.6
Inventories, net		900.7
Prepaid expenses and other assets		97.7
Property, plant and equipment		223.5
Trade names		390.0
Customer relationships		450.0
Other assets		36.8
Accounts payable		(391.8)
Accrued expenses		(253.6)
Deferred revenue		(0.9)
Long-term debt		(103.0)
Deferred taxes		(194.3)
Other liabilities		(71.3)
Total identifiable net assets	$	1,468.0
Goodwill		436.7
Total consideration	$	1,904.7

The weighted-average useful life assigned to the definite-lived intangible assets was 15 years.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business and assembled workforce. It is estimated that $0.6 million of goodwill will be deductible for tax purposes.

The acquisition accounting for MTD is preliminary in certain respects. During the measurement period, the Company expects to record adjustments relating to the finalization of intangible assets, inventory and property, plant and equipment valuations, working capital accounts, and opening balance sheet contingencies, amongst others.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The Company's judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results from operations.

Excel

On November 12, 2021, the Company acquired Excel Industries ("Excel") for $373.6 million, net of cash acquired and an estimated working capital adjustment. Excel is a leading designer and manufacturer of premium commercial and residential turf-care equipment under the brands of Hustler Turf Equipment and BigDog Mower Co. The results of Excel subsequent to the date of acquisition are included in the Company's Tools & Storage segment.

The Company believes this is a strategically important bolt-on acquisition as it builds an outdoor products leader. The Excel acquisition is being accounted for as a business combination, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The estimated value of identifiable net assets acquired, which includes $37.0 million of working capital, $48.7 million of deferred tax liabilities, and $203.5 million of intangible assets, is $200.3 million. The related goodwill is $173.3 million. The amount allocated to intangible assets includes $158.0 million for customer relationships. The weighted-average useful life assigned to the intangible assets was 14 years.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business and assembled workforce. It is estimated that $0.6 million of goodwill will be deductible for tax purposes.

The acquisition accounting for Excel is preliminary in certain respects. During the measurement period, the Company expects to record adjustments relating to the finalization of intangible and inventory valuations, working capital accounts, and opening balance sheet contingencies, amongst others.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The Company's judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results from operations.

Other 2021 Acquisitions

During 2021, the Company completed two other acquisitions for a total purchase price of $207.3 million, net of cash acquired. The estimated acquisition date value of the identifiable net assets acquired is $49.5 million and working capital is $36.4 million. The related goodwill is $157.8 million. The results of these acquisitions subsequent to the dates of acquisition are included in the Company's Tools & Storage segment.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business and assembled workforce. It is estimated that $44.5 million of goodwill will be deductible for tax purposes.

The acquisition accounting for these acquisitions is preliminary in certain respects. During the measurement period, the Company expects to record adjustments relating to working capital accounts, various opening balance sheet contingencies and various income tax matters, amongst others.

2020 ACQUISITION

CAM

On February 24, 2020, the Company acquired CAM for a total estimated purchase price of approximately $1.46 billion, net of cash acquired. The purchase price consisted of an initial cash payment of approximately $1.30 billion, net of cash acquired, and future payments up to $200.0 million contingent on The Boeing Company ("Boeing") 737 MAX Airplanes receiving Federal Aviation Administration ("FAA") authorization to return to service and Boeing achieving certain production levels, which were valued at $155.3 million as of the acquisition date.

In November 2020, the FAA rescinded the 737 MAX grounding order and as a result of the subsequent return to revenue service of the 737 MAX in December 2020, the Company paid $100 million to the former owners of CAM. The remaining contingent consideration was remeasured at January 2, 2021 and the Company concluded the achievement of certain production levels based on Boeing's future forecast was remote and released the remaining $55.3 million contingent consideration liability to the Consolidated Statements of Operations in Other, net. As of January 1, 2022, the Company continues to consider the achievement of certain production levels based on Boeing's future forecast as remote.

CAM is an industry-leading manufacturer of specialty fasteners and components for the aerospace and defense markets. The acquisition further diversified the Company's presence in the industrial markets and expanded its portfolio of specialty fasteners in the aerospace and defense markets. The results of CAM subsequent to the date of acquisition are included in the Company's Industrial segment.

The CAM acquisition was accounted for as a business combination using the acquisition method of accounting, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The following table summarizes the acquisition date value of identifiable net assets acquired and liabilities assumed:

(Millions of Dollars)		
Cash and cash equivalents	$	35.8
Accounts receivable, net		48.3
Inventories, net		124.3
Prepaid expenses and other assets		2.6
Property, plant and equipment		127.9
Trade names		25.0
Customer relationships		565.0
Accounts payable		(25.9)
Accrued expenses		(26.9)
Deferred taxes		(16.3)
Other liabilities		(0.3)
Total identifiable net assets	$	859.5
Goodwill		632.3
Contingent consideration		(155.3)
Total consideration paid	$	1,336.5

The weighted-average useful life assigned to the intangible assets is 20 years.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business and assembled workforce. It is estimated that $569.8 million of goodwill will be deductible for tax purposes.

The acquisition accounting for CAM is complete. The measurement period adjustments recorded in 2021 did not have a material impact to the Company's Consolidated Financial Statements.

2019 ACQUISITIONS

IES Attachments

On March 8, 2019, the Company acquired IES Attachments for $653.5 million, net of cash acquired. IES Attachments is a manufacturer of high quality, performance-driven heavy equipment attachment tools for off-highway applications. The

acquisition further diversified the Company's presence in the industrial markets, expanded its portfolio of attachment solutions and provided a meaningful platform for growth. The results of IES Attachments subsequent to the date of acquisition are included in the Company's Industrial segment.

The IES Attachments acquisition was accounted for as a business combination using the acquisition method of accounting, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The estimated acquisition date value of identifiable net assets acquired, which included $77.8 million of working capital (primarily inventory), $78.3 million of deferred tax liabilities, and $328.0 million of intangible assets, was $342.2 million. The related goodwill was $311.3 million. The amount allocated to intangible assets included $304.0 million for customer relationships. The weighted-average useful life assigned to the intangible assets was 14 years.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business and assembled workforce. It is estimated that $2.4 million of goodwill, relating to the pre-acquisition historical tax basis of goodwill, will be deductible for tax purposes.

The acquisition accounting for IES Attachments is complete. The measurement period adjustments recorded in 2020 did not have a material impact to the Company's Consolidated Financial Statements.

Other 2019 Acquisitions

During 2019, the Company completed two other acquisitions for $32.4 million, net of cash acquired. The estimated acquisition date value of the identifiable net assets acquired, which included $6.3 million of working capital and $4.4 million of customer relationships, was $15.7 million. The related goodwill was $16.7 million. The useful lives assigned to the customer relationships was 10 years. The results of these acquisitions subsequent to the dates of acquisition are included in the Company's Industrial segment and Mechanical Access Solutions. The acquisition accounting for these acquisitions is complete. The measurement period adjustments recorded in 2020 did not have a material impact to the Company's Consolidated Financial Statements.

ACTUAL AND PRO-FORMA IMPACT FROM ACQUISITIONS

Actual Impact from Acquisitions

The net sales and net loss from the 2021 acquisitions included in the Company's Consolidated Statements of Operations for the year ended January 1, 2022 are shown in the table below. The net loss includes amortization expense relating to intangible assets recorded upon acquisition, inventory step-up charges, transaction costs, gain on MTD investment, contingent consideration expense, and other integration-related costs.

(Millions of Dollars)	2021
Net sales	**$ 235.5**
Net loss from continuing operations attributable to common shareowners	**$ (49.7)**

Pro-forma Impact from Acquisitions

The following table presents supplemental pro-forma information as if the 2021 acquisitions had occurred on December 29, 2019 and the 2020 acquisitions had occurred on December 30, 2018. The pro-forma consolidated results are not necessarily indicative of what the Company’s consolidated net sales and net earnings would have been had the Company completed the acquisitions on the aforementioned dates. In addition, the pro-forma consolidated results do not purport to project the future results of the Company.

(Millions of Dollars, except per share amounts)	2021	2020
Net sales	**$ 18,226.7**	$ 16,000.5
Net earnings from continuing operations attributable to common shareowners - Diluted	**1,714.3**	1,138.4
Diluted earnings per share of common stock - Continuing operations	**$ 10.39**	$ 7.01

2021 Pro-forma Results

The 2021 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2021 acquisitions for their respective pre-acquisition periods. Accordingly, the following adjustments were made:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the acquisition accounting that would have been incurred from January 2, 2021 to the acquisition dates.

- Because the 2021 acquisitions were assumed to occur on December 29, 2019, there were no acquisition-related costs or inventory step-up charges factored into the 2021 pro-forma year, as such expenses would have occurred in the first year following the assumed acquisition date.

- Because the MTD acquisition was assumed to occur on December 29, 2019, the gain on investment and contingent consideration expense was not factored into the 2021 pro-forma year, as such gain and expense would have occurred in the first year following the assumed acquisition date.

2020 Pro-forma Results

The 2020 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2020 and 2021 acquisitions for their respective pre-acquisition periods. Accordingly, the following adjustments were made:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the acquisition accounting that would have been incurred from December 29, 2019 to the acquisition dates of the 2020 acquisition and for the year ended January 2, 2021 for the 2021 acquisitions.

- Additional depreciation expense for the property, plant, and equipment fair value adjustment that would have been incurred from December 29, 2019 to the acquisition date of CAM.

- Additional expense for acquisition-related costs and inventory step-up charges relating to the 2021 acquisitions, as such expenses would have been incurred during the year ended January 2, 2021.

- Additional gain on investment and contingent consideration expense relating to the MTD acquisition, as such gain and expense would have been incurred during the year ended January 2, 2021.

- Because the 2020 acquisitions were assumed to occur on December 30, 2018, there were no acquisition-related costs or inventory step-up charges factored into the 2020 pro-forma period, as such expenses would have occurred in the first year following the assumed acquisition date.

INVESTMENTS

During 2021, 2020 and 2019, the Company made additional immaterial investments in new and emerging start-up companies focused on innovation, breakthrough products and advanced technologies. These investments, which are included in Other assets in the Consolidated Balance Sheets, do not qualify for equity method accounting as the Company acquired less than 20 percent interest in each investment and does not have the ability to significantly influence the operating or financial decisions of any of the investees.

F. GOODWILL AND INTANGIBLE ASSETS

GOODWILL — The changes in the carrying amount of goodwill by segment are as follows:

(Millions of Dollars)	Tools & Storage	Industrial	Other	Total
Balance December 28, 2019	**$ 5,161.8**	**$ 1,995.5**	**$ 223.3**	**$ 7,380.6**
Acquisitions	0.1	635.7	—	635.8
Foreign currency translation and other	85.8	15.3	(31.0)	70.1
Balance January 2, 2021	**$ 5,247.7**	**$ 2,646.5**	**$ 192.3**	**$ 8,086.5**
Acquisitions	777.3	(0.5)	—	776.8
Foreign currency translation and other	(50.2)	(29.0)	0.1	(79.1)
Balance January 1, 2022	**$ 5,974.8**	**$ 2,617.0**	**$ 192.4**	**$ 8,784.2**

Goodwill totaling $1,894.5 million and $1,951.6 million was reclassed to assets held for sale as of January 1, 2022 and January 2, 2021, respectively.

The goodwill amount for the 2021 acquisitions is subject to change based upon the finalization of the acquisition accounting during the measurement period. Refer to *Note E, Acquisitions and Investments*, for further discussion.

In accordance with ASC 350, *Intangibles - Goodwill and Other*, a portion of the goodwill within Other was allocated to the aforementioned sale of the commercial electronic security business in five countries in Europe and emerging markets based on the relative fair value of the business disposed of and the portion of the reporting unit that was retained. Accordingly, goodwill for the Security segment was reduced by $31.3 million and included in the gain on sale of this divestiture in 2020. Refer to *Note T, Divestitures*, for further discussion.

As required by the Company's policy, goodwill and indefinite-lived trade names were tested for impairment in the third quarter of 2021. The Company assessed the fair values of three of its reporting units utilizing a discounted cash flow valuation model and determined that the fair values exceeded the respective carrying amounts. The key assumptions used were discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuations were near-term revenue growth rates over the next six years. These assumptions contemplated business, market and overall economic conditions. For the remaining two reporting units, the Company determined qualitatively that it was not more likely than not that goodwill was impaired, and thus, the quantitative goodwill impairment test was not required. In making this determination, the Company considered the significant excess of fair value over carrying amount as calculated in the most recent quantitative analysis, each reporting unit's 2021 performance compared to prior year and their respective industries, analyst multiples and other positive qualitative information. Based on the results of the annual impairment testing performed in the third quarter of 2021, the Company determined that the fair values of each of its reporting units exceeded their respective carrying amounts.

INTANGIBLE ASSETS — Intangible assets at January 1, 2022 and January 2, 2021 were as follows:

	2021		2020	
(Millions of Dollars)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets — Definite lived				
Patents and copyrights	**$ 27.0**	**$ (26.6)**	$ 28.1	$ (27.6)
Trade names	**276.3**	**(119.2)**	180.8	(105.6)
Customer relationships	**3,042.8**	**(1,038.4)**	2,452.3	(904.1)
Other intangible assets	**150.1**	**(137.2)**	150.5	(132.0)
Total	**$ 3,496.2**	**$ (1,321.4)**	$ 2,811.7	$ (1,169.3)

Net intangibles totaling $177.8 millionand $217.7 million were reclassed to assets held for sale as of January 1, 2022 and January 2, 2021, respectively.

Indefinite-lived trade names totaled $2.525 billion at January 1, 2022 and $2.195 billion at January 2, 2021. The year-over-year change is primarily due to the indefinite-lived trade names acquired in the MTD acquisition.

The fair values of the Company's indefinite-lived trade names were assessed using quantitative analyses, which utilized discounted cash flow valuation models taking into consideration appropriate discount rates, royalty rates and perpetual growth

rates applied to projected sales. The Company determined that the fair values of its indefinite-lived trade names exceeded their respective carrying amounts.

Intangible assets amortization expense by segment was as follows:

(Millions of Dollars)	2021	2020	2019
Tools & Storage	**$ 64.1**	$ 61.5	$ 73.1
Industrial	**99.9**	96.6	69.6
Other	**39.1**	43.5	44.7
Consolidated	**$ 203.1**	$ 201.6	$ 187.4

The amounts above are inclusive of amortization expense for discontinued operations amounting to $38.4 million in 2021, $42.8 million in 2020, and $44.4 million in 2019.

Future amortization expense in each of the next five years amounts to $206.3 million for 2022, $199.0 million for 2023, $192.8 million for 2024, $176.7 million for 2025, $163.2 million for 2026 and $1,236.8 million thereafter.

G. ACCRUED EXPENSES

Accrued expenses at January 1, 2022 and January 2, 2021 were as follows:

(Millions of Dollars)	2021	2020
Payroll and related taxes	**$ 350.6**	$ 250.0
Income and other taxes	**320.4**	211.9
Customer rebates and sales returns	**408.9**	226.4
Insurance and benefits	**99.3**	69.9
Restructuring costs	**31.9**	79.8
Derivative financial instruments	**8.7**	185.3
Warranty costs	**104.4**	76.5
Deferred revenue	**42.2**	39.4
Freight costs	**228.1**	89.4
Environmental costs	**46.1**	46.7
Current lease liability	**118.9**	109.6
Forward stock purchase contract	**330.4**	—
Other	**607.9**	461.3
Total	**$ 2,697.8**	$ 1,846.2

H. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt and financing arrangements at January 1, 2022 and January 2, 2021 were as follows:

	January 1, 2022							January 2, 2021
(Millions of Dollars)	Interest Rate	Original Notional	Unamortized Discount	Unamortized Gain (Loss) Terminated Swaps[1]	Purchase Accounting FV Adjustment	Deferred Financing Fees	Carrying Value	Carrying Value
Notes payable due 2026	3.40%	500.0	(0.4)	—	—	(1.8)	**497.8**	497.2
Notes payable due 2026	3.42%	25.0	—	—	—	(0.1)	**24.9**	—
Notes payable due 2026	1.84%	28.5	—	—	—	(0.1)	**28.4**	—
Notes payable due 2028	7.05%	150.0	—	7.1	6.8	—	**163.9**	166.1
Notes payable due 2028	4.25%	500.0	(0.3)	—	—	(2.9)	**496.8**	496.2
Notes payable due 2028	3.52%	50.0	—	—	—	(0.1)	**49.9**	—
Notes payable due 2030	2.30%	750.0	(2.0)	—	—	(4.3)	**743.7**	742.9
Notes payable due 2040	5.20%	400.0	(0.2)	(27.5)	—	(2.6)	**369.7**	368.1
Notes payable due 2048	4.85%	500.0	(0.5)	—	—	(4.9)	**494.6**	494.3
Notes payable due 2050	2.75%	750.0	(1.9)	—	—	(8.1)	**740.0**	739.9
Notes payable due 2060 (junior subordinated)	4.00%	750.0	—	—	—	(9.1)	**740.9**	740.7
Other, payable in varying amounts 2022 through 2027	3.47%-4.31%	4.3	—	—	—	—	**4.3**	—
Total long-term debt, including current maturities		$ 4,407.8	$ (5.3)	$ (20.4)	$ 6.8	$ (34.0)	**$ 4,354.9**	$ 4,245.4
Less: Current maturities of long-term debt							**(1.3)**	—
Long-term debt							**$ 4,353.6**	$ 4,245.4

[1] Unamortized gain (loss) associated with interest rate swaps are more fully discussed in *Note I, Financial Instruments.*

Included in the table above, during the fourth quarter of 2021, the Company assumed $103.0 million and $4.3 million of long-term debt from the acquisition of MTD and Excel, respectively. Principal amounts and maturities are also included in the figures below.

As of January 1, 2022, the total aggregate annual principal maturities of long-term debt for the next five years and thereafter are as follows: $1.3 million in 2022, $1.2 million in 2023, $1.1 million in 2024, $0.5 million in 2025, $553.7 million in 2026, and $3.850 billion thereafter. These maturities represent the principal amounts to be paid and accordingly exclude the remaining $6.8 million of unamortized fair value adjustments made in purchase accounting, which increased the Black & Decker note payable due 2028, as well as a net loss of $25.7 million pertaining to unamortized termination gains and losses on interest rate swaps and unamortized discounts on the notes as described in *Note I, Financial Instruments,* and $34.0 million of unamortized deferred financing fees. Interest paid during 2021, 2020 and 2019 amounted to $177.3 million, $192.1 million and $252.9 million, respectively.

In November 2020, the Company issued $750.0 million of senior unsecured term notes maturing November 15, 2050 ("2050 Term Notes"). The 2050 Term Notes will accrue interest at a fixed rate of 2.75% per annum, with interest payable semi-annually in arrears, and rank equally in right of payment with all of the Company's existing and future unsecured unsubordinated debt. The Company received total proceeds from this offering of approximately $739.9 million, net of approximately $10.1 million of underwriting expenses and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of other borrowings.

Contemporaneously with the issuance of the 2050 Term Notes, the Company redeemed the 3.4% senior unsecured term notes due 2021 (“2021 Term Notes”) and the 2.9% senior unsecured term notes due 2022 (“2022 Term Notes”) for approximately $1.2 billion representing the outstanding principal amounts, accrued and unpaid interest, and a make-whole premium. The Company recognized a net pre-tax loss of $46.9 million from the extinguishment, which was comprised of the $48.7 million make-whole premium payment and a $1.7 million loss related to the write-off of deferred financing fees, partially offset by a $3.5 million gain relating to the write-off of unamortized fair value swap terminations. The Company also recognized a pre-tax loss of $19.6 million relating to the unamortized loss on cash flow swap terminations related to the 2022 Term Notes. Refer to *Note I, Financial Instruments*, for further discussion.

In February 2020, the Company issued $750.0 million of senior unsecured term notes maturing March 15, 2030 ("2030 Term Notes") and $750.0 million of fixed-to-fixed reset rate junior subordinated debentures maturing March 15, 2060 (“2060 Junior Subordinated Debentures”). The 2030 Term Notes accrue interest at a fixed rate of 2.3% per annum, with interest payable semi-annually in arrears, and rank equally in right of payment with all of the Company's existing and future unsecured and

unsubordinated debt. The 2060 Junior Subordinated Debentures bear interest at a fixed rate of 4.0% per annum, payable semi-annually in arrears, up to but excluding March 15, 2025. From and including March 15, 2025, the interest rate will be reset for each subsequent five-year reset period equal to the Five-Year Treasury Rate plus 2.657%. The Five-Year Treasury Rate is based on the average yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities. On each five-year reset date, the 2060 Junior Subordinated Debentures can be called at 100% of the principal amount, plus accrued interest, if any. The 2060 Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all of the Company's existing and future senior debt. The Company received total net proceeds from these offerings of approximately $1.483 billion, net of underwriting expenses and other fees associated with the transactions. The net proceeds from these offerings were used for general corporate purposes, including acquisition funding.

In December 2013, the Company issued $400.0 million aggregate principal amount of 5.75% fixed-to-floating rate junior subordinated debentures maturing December 15, 2053 ("2053 Junior Subordinated Debentures"). The 2053 Junior Subordinated Debentures bore interest at a fixed rate of 5.75% per annum, payable semi-annually in arrears to, but excluding December 15, 2018. From and including December 15, 2018, the 2053 Junior Subordinated Debentures bore interest at an annual rate equal to three-month LIBOR plus 4.304%, payable quarterly in arrears. In February 2019, the Company redeemed all of the outstanding 2053 Junior Subordinated Debentures for $405.7 million, which represented 100% of the principal amount plus accrued and unpaid interest to the redemption date. The Company recognized a net pre-tax loss of $3.2 million from the redemption, which was comprised of a $7.8 million loss related to the write-off of deferred financing fees partially offset by a $4.6 million gain relating to an unamortized terminated interest rate swap as described in more detailed in *Note I, Financial Instruments*.

In July 2012, the Company issued $750.0 million of junior subordinated debentures, maturing on July 25, 2052 ("2052 Junior Subordinated Debentures") with fixed interest payable quarterly, in arrears, at a rate of 5.75% per annum. In December 2019, the Company redeemed all of the outstanding 2052 Junior Subordinated Debentures for $760.5 million, which represented 100% of the principal amount plus accrued and unpaid interest. The Company recognized a pre-tax loss of $17.9 million from the redemption related to the write-off of unamortized deferred financing fees.

Commercial Paper and Credit Facilities

In October 2021, the Company increased its commercial paper program from $3.0 billion to $3.5 billion, which includes Euro denominated borrowings in addition to U.S. Dollars. As of January 1, 2022, the Company had $2.2 billion of borrowings outstanding. As of January 2, 2021, the Company had no borrowings outstanding, Refer to *Note I, Financial Instruments,* for further discussion.

In September 2021, the Company amended and restated its existing five-year $2.0 billion committed credit facility with the concurrent execution of a new five year $2.5 billion committed credit facility (the "5-year Credit Agreement"). Borrowings under the 5-Year Credit Agreement may be made in U.S. Dollars, Euros or Pounds Sterling. A sub-limit amount of $814.3 million is designated for swing line advances which may be drawn in Euros pursuant to the terms of the 5-Year Credit Agreement. Borrowings bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and specific terms of the 5-Year Credit Agreement. The Company must repay all advances under the 5-Year Credit Agreement by the earlier of September 8, 2026 or upon termination. The 5-Year Credit Agreement is designated to be a liquidity back-stop for the Company's $3.5 billion U.S. Dollar and Euro commercial paper program. As of January 1, 2022 and January 2, 2021, the Company had not drawn on its five-year committed credit facility.

In September 2021, the Company terminated its 364-day $1.0 billion credit facility and concurrently executed a new 364-Day $1.0 billion committed credit facility (the "364-Day Credit Agreement"). Borrowings under the 364-Day Credit Agreement may be made in U.S. Dollars or Euros and bear interest at a floating rate plus an applicable margin dependent upon the denomination of the borrowing and pursuant to the terms of the 364-Day Credit Agreement. The Company must repay all advances under the 364-Day Credit Agreement by the earlier of September 7, 2022 or upon termination. The Company may, however, convert all advances outstanding upon termination into a term loan that shall be repaid in full no later than the first anniversary of the termination date provided that the Company, among other things, pays a fee to the administrative agent for the account of each lender. The 364-Day Credit Agreement serves as part of the liquidity back-stop for the Company's $3.5 billion U.S. Dollar and Euro commercial paper program. As of January 1, 2022 and January 2, 2021, the Company had not drawn on this 364-Day committed credit facility.

In November 2021, the Company executed a second 364-Day $1.0 billion committed credit facility (the "Second 364-Day Credit Agreement"). Borrowings under the Second 364-Day Credit Agreement may be made in U.S. Dollars and Euros and bear interest at a base rate plus an applicable margin determined at the time of borrowing. The Company must repay all advances under the Second 364-Day Credit Agreement by the earlier of November 15, 2022 or upon termination. The Company may, however, convert all advances outstanding upon termination into a term loan that shall be repaid in full no later than the first

anniversary of the termination date provided that the Company, among other things, pays a fee to the administrative agent for the account of each lender. As of January 1, 2022, the Company had not drawn on this 364-Day committed credit facility.

In January 2022, the Company executed a third 364-Day $2.5 billion committed credit facility (the "Third 364-Day Credit Agreement"). Borrowings under the Third 364-Day Credit Agreement shall be made in U.S. Dollars and bear interest at a base rate plus an applicable margin determined at the time of the borrowing. The Company must repay all advances under the Third 364-Day Credit Agreement by the earlier of January 25, 2023 or upon termination. The Company may, however, convert all advances outstanding upon termination into a term loan that shall be repaid in full no later than the first anniversary of the termination date provided that the Company, among other things, pays a fee to the administrative agent for the account of each lender. The Company has not drawn on this 364-Day committed credit facility.

In addition, the Company has other short-term lines of credit that are primarily uncommitted, with numerous banks, aggregating to $353.6 million, of which $262.7 million was available at January 1, 2022. Short-term arrangements are reviewed annually for renewal.

At January 1, 2022, the aggregate amount of committed and uncommitted lines of credit, long-term and short-term, was approximately $4.9 billion. At January 1, 2022, $2.2 billion was recorded as short-term borrowings. In addition, $90.9 million of the short-term credit lines was utilized primarily pertaining to outstanding letters of credit for which there are no required or reported debt balances. The weighted-average interest rates on U.S. dollar denominated short-term borrowings for the years ended January 1, 2022 and January 2, 2021 were 0.1% and 1.3%, respectively. The weighted-average interest rates on Euro denominated short-term borrowings for the years ended January 1, 2022 and January 2, 2021 were negative 0.5% and 0.2%, respectively.

I. FINANCIAL INSTRUMENTS

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices and commodity prices. As part of the Company's risk management program, a variety of financial instruments such as interest rate swaps, currency swaps, purchased currency options, foreign exchange contracts and commodity contracts, may be used to mitigate interest rate exposure, foreign currency exposure and commodity price exposure.

If the Company elects to do so and if the instrument meets the criteria specified in ASC 815, management designates its derivative instruments as cash flow hedges, fair value hedges or net investment hedges. Generally, commodity price exposures are not hedged with derivative financial instruments and instead are actively managed through customer pricing initiatives, procurement-driven cost reduction initiatives and other productivity improvement projects. Financial instruments are not utilized for speculative purposes.

A summary of the fair values of the Company's derivatives recorded in the Consolidated Balance Sheets at January 1, 2022 and January 2, 2021 follows:

(Millions of Dollars)	Balance Sheet Classification	2021	2020	Balance Sheet Classification	2021	2020
Derivatives designated as hedging instruments:						
Interest Rate Contracts Cash Flow	Other current assets	**$ 1.2**	**$ —**	Accrued expenses	**$ 1.9**	**$ 90.9**
Foreign Exchange Contracts Cash Flow	Other current assets	**18.3**	**—**	Accrued expenses	**0.8**	23.7
Net Investment Hedge	Other current assets	**2.5**	3.5	Accrued expenses	**—**	55.1
	LT other assets	**3.3**	**—**	LT other liabilities	**—**	5.7
Total Designated as hedging instruments		**$ 25.3**	$ 3.5		**$ 2.7**	$ 175.4
Derivatives not designated as hedging instruments:						
Foreign Exchange Contracts	Other current assets	**$ 7.8**	$ 10.5	Accrued expenses	**$ 6.0**	$ 15.6
Total		**$ 33.1**	$ 14.0		**$ 8.7**	$ 191.0

The counterparties to all of the above mentioned financial instruments are major international financial institutions. The Company is exposed to credit risk for net exchanges under these agreements, but not for the notional amounts. The credit risk is limited to the asset amounts noted above. The Company limits its exposure and concentration of risk by contracting with

diverse financial institutions and does not anticipate non-performance by any of its counterparties. Further, as more fully discussed in *Note M, Fair Value Measurements*, the Company considers non-performance risk of its counterparties at each reporting period and adjusts the carrying value of these assets accordingly. The risk of default is considered remote. As of January 1, 2022 and January 2, 2021, there were no assets that had been posted as collateral related to the above mentioned financial instruments.

In 2021 cash flows related to derivatives, including those that are separately discussed below, resulted in net cash paid of $166.8 million, and in 2020 and 2019, cash flows related to derivatives resulted in net cash received of $33.4 million and $69.9 million, respectively.

CASH FLOW HEDGES — There were after-tax mark-to-market losses of $49.8 million and $103.0 million as of January 1, 2022 and January 2, 2021, respectively, reported for cash flow hedge effectiveness in Accumulated other comprehensive loss. An after-tax gain of $11.1 million is expected to be reclassified to earnings as the hedged transactions occur or as amounts are amortized within the next twelve months. The ultimate amount recognized will vary based on fluctuations of the hedged currencies and interest rates through the maturity dates.

The tables below detail pre-tax amounts of derivatives designated as cash flow hedges in Accumulated other comprehensive loss during the periods in which the underlying hedged transactions affected earnings for 2021, 2020 and 2019:

2021 ***(Millions of Dollars)***	**Gain (Loss) Recorded in OCI**	**Classification of Gain (Loss) Reclassified from OCI to Income**	**Gain (Loss) Reclassified from OCI to Income**	**Gain (Loss) Recognized in Income on Amounts Excluded from Effectiveness Testing**
Interest Rate Contracts	**$ 14.9**	Interest expense	**$ (3.9)**	**$ —**
Foreign Exchange Contracts	**$ 24.1**	Cost of sales	**$ (26.1)**	**$ —**

2020 ***(Millions of Dollars)***	**Gain (Loss) Recorded in OCI**	**Classification of Gain (Loss) Reclassified from OCI to Income**	**Gain (Loss) Reclassified from OCI to Income**	**Gain (Loss) Recognized in Income on Amounts Excluded from Effectiveness Testing**
Interest Rate Contracts	$ (70.9)	Interest expense	$ (16.3)	$ —
Foreign Exchange Contracts	$ (16.1)	Cost of sales	$ 12.4	$ —

2019 ***(Millions of Dollars)***	**Gain (Loss) Recorded in OCI**	**Classification of Gain (Loss) Reclassified from OCI to Income**	**Gain (Loss) Reclassified from OCI to Income (Effective Portion)**	**Gain (Loss) Recognized in Income (Ineffective Portion)**
Interest Rate Contracts	$ (40.5)	Interest expense	$ (16.2)	$ —
Foreign Exchange Contracts	$ (16.7)	Cost of sales	$ (6.5)	$ —

A summary of the pre-tax effect of cash flow hedge accounting on the Consolidated Statements of Operations for 2021, 2020 and 2019 is as follows:

	2021		**2020**		**2019**	
(Millions of dollars)	**Cost of Sales**	**Interest Expense**	**Cost of Sales**	**Interest Expense**	**Cost of Sales**	**Interest Expense**
Total amount in the Consolidated Statements of Operations in which the effects of the cash flow hedges are recorded	**$10,423.0**	**$ 185.4**	$8,652.3	$ 222.6	$8,679.5	$ 282.2
Gain (loss) on cash flow hedging relationships:						
Foreign Exchange Contracts:						
Hedged Items	**$ 26.1**	**$ —**	$ (12.4)	$ —	$ 6.5	$ —
Gain (loss) reclassified from OCI into Income	**$ (26.1)**	**$ —**	$ 12.4	$ —	$ (6.5)	$ —
Interest Rate Swap Agreements:						
Gain (loss) reclassified from OCI into Income [1]	**$ —**	**$ (3.9)**	$ —	$ (16.3)	$ —	$ (16.2)

[1] Inclusive of the gain/loss amortization on terminated derivative financial instruments.

For 2021, 2020 and 2019 after-tax losses of $17.0 million, $15.4 million, and $13.1 million, respectively, were reclassified from Accumulated other comprehensive loss into earnings (inclusive of the gain/loss amortization on terminated derivative financial instruments) during the periods in which the underlying hedged transactions affected earnings.

Interest Rate Contracts: The Company enters into interest rate swap agreements in order to obtain the lowest cost source of funds within a targeted range of variable to fixed-rate debt proportions. During 2021, the Company entered into forward starting interest rate swaps totaling $400.0 million to offset expected variability on future interest rate payments associated with debt instruments expected to be issued in the future.

During 2020, the Company entered into forward starting interest rate swaps totaling $1.0 billion to offset expected variability on future interest rate payments associated with debt instruments expected to be issued in the future. The Company terminated these swaps in 2020 resulting in a loss of $20.5 million, which was recorded in Accumulated other comprehensive loss and is being amortized to interest expense over future periods.

During 2019, the Company entered into forward starting interest rate swaps totaling $650.0 million to offset expected variability on future interest rate payments associated with debt instruments expected to be issued in the future. During 2019, swaps with a notional amount of $250.0 million matured resulting in a loss of $1.0 million, which was recorded in Accumulated other comprehensive loss and is being amortized to earnings as interest expense over future periods. During 2021, the remaining notional amount of $400.0 million matured resulting in a loss of $75.3 million, which was recorded in Accumulated other comprehensive loss, and will be amortized to interest expense over future periods.

The cash flows stemming from the maturity and termination of such interest rate swaps designated as cash flow hedges discussed above are presented within other financing activities in the Consolidated Statements of Cash Flows.

In December 2020, the Company redeemed all of the outstanding 2021 Term Notes and 2022 Term Notes, as further discussed in *Note H, Long-Term Debt and Financing Arrangements.* As a result, the Company recorded a pre-tax loss of $19.6 million relating to the remaining unamortized loss on cash flow swap terminations related to the 2022 Term Notes.

As of January 1, 2022 and January 2, 2021, the Company had $400.0 million of forward starting swaps outstanding.

Foreign Currency Contracts

Forward Contracts: Through its global businesses, the Company enters into transactions and makes investments denominated in multiple currencies that give rise to foreign currency risk. The Company and its subsidiaries regularly purchase inventory from subsidiaries with functional currencies different than their own, which creates currency-related volatility in the Company's results of operations. The Company utilizes forward contracts to hedge these forecasted purchases and sales of inventory. Gains and losses reclassified from Accumulated other comprehensive loss are recorded in Cost of sales as the hedged item affects earnings. There are no components excluded from the assessment of effectiveness for these contracts. At January 1, 2022, and January 2, 2021, the notional values of the forward currency contracts outstanding was $512.1 million and $595.8 million, respectively, maturing on various dates through 2022.

In January 2022, the Company entered into forward currency contracts with notional values totaling $100.0 million maturing on various dates in 2022.

Purchased Option Contracts: The Company and its subsidiaries have entered into various intercompany transactions whereby the notional values are denominated in currencies other than the functional currencies of the party executing the trade. In order to better match the cash flows of its intercompany obligations with cash flows from operations, the Company enters into purchased option contracts. Gains and losses reclassified from Accumulated other comprehensive loss are recorded in Cost of sales as the hedged item affects earnings. There are no components excluded from the assessment of effectiveness for these contracts. At January 1, 2022 and January 2, 2021 there were no outstanding option contracts.

FAIR VALUE HEDGES

Interest Rate Risk: In an effort to optimize the mix of fixed versus floating rate debt in the Company's capital structure, the Company enters into interest rate swaps. In prior years, the Company entered into interest rate swaps related to certain of its notes payable which were subsequently terminated. Amortization of the gain/loss on previously terminated swaps is reported as a reduction of interest expense. Prior to termination, the changes in fair value of the swaps and the offsetting changes in fair

value related to the underlying notes were recognized in earnings. The Company did not have any active fair value interest rate swaps at January 1, 2022 or January 2, 2021.

A summary of the pre-tax effect of fair value hedge accounting on the Consolidated Statements of Operations for 2021, 2020 and 2019 is as follows:

	2021	2020	2019
(Millions of dollars)	**Interest Expense**	**Interest Expense**	**Interest Expense**
Total amount in the Consolidated Statements of Operations in which the effects of the fair value hedges are recorded	**$ 185.4**	$ 222.6	$ 282.2
Amortization of gain on terminated swaps	**$ (0.4)**	$ (3.0)	$ (7.7)

In December 2020, the Company redeemed all of the outstanding 2021 Term Notes and 2022 Term Notes, as further discussed in *Note H, Long-Term Debt and Financing Arrangements.* As a result, the Company recorded a pre-tax gain of $3.5 million relating to the remaining unamortized gain on fair value swap terminations related to the 2021 Term Notes.

In February 2019, the Company redeemed all of the outstanding 2053 Junior Subordinated Debentures, as further discussed in *Note H, Long-Term Debt and Financing Arrangements.* As a result, the Company recorded a pre-tax gain of $4.6 million relating to the remaining unamortized gain on swap termination related to this debt.

A summary of the amounts recorded in the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges as of 2021 and 2020 is as follows:

(Millions of dollars)	**2021 Carrying Amount of Hedged Liability[1]**	**2021 Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability**	
Current maturities of long-term debt	**$ 1.3**	Terminated Swaps	**$ —**
Long-Term Debt	**$ 4,353.6**	Terminated Swaps	**$ (20.4)**

[1]Represents hedged items no longer designated in qualifying fair value hedging relationships.

(Millions of dollars)	**2020 Carrying Amount of Hedged Liability[1]**	**2020 Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability**	
Current maturities of long-term debt	$ —	Terminated Swaps	$ —
Long-Term Debt	$ 4,245.4	Terminated Swaps	$ (20.8)

[1]Represents hedged items no longer designated in qualifying fair value hedging relationships.

NET INVESTMENT HEDGES

Foreign Exchange Contracts: The Company utilizes net investment hedges to offset the translation adjustment arising from re-measurement of its investment in the assets and liabilities of its foreign subsidiaries. The total after-tax amounts in Accumulated other comprehensive gains of $71.8 million and $72.8 million at January 1, 2022 and January 2, 2021, respectively.

As of January 1, 2022, the Company had a foreign exchange contract with a notional values of $75.0 million maturing in 2022 hedging a portion of its Taiwan dollar denominated net investments and a cross currency swap with a notional value of $100.0 million maturing in 2023 hedging a portion of its Japanese yen denominated net investments.

As of January 2, 2021, the Company had cross currency swaps with a notional value totaling $839.4 million maturing on various dates through 2023 hedging a portion of its Japanese yen, Euro and Swiss franc denominated net investments.

Maturing foreign exchange contracts resulted in net cash paid of $55.1 million in 2021, and net cash received of $41.0 million, and $8.0 million during 2020 and 2019, respectively.

Gains and losses on net investment hedges remain in Accumulated other comprehensive loss until disposal of the underlying assets. Gains and losses representing components excluded from the assessment of effectiveness are recognized in earnings in Other, net on a straight-line basis over the term of the hedge. Gains and losses after a hedge has been de-designated are recorded directly to the Consolidated Statements of Operations in Other, net.

The pre-tax gains and losses from fair value changes during 2021, 2020 and 2019 were as follows:

	2021				
(Millions of Dollars)	**Total Gain (Loss) Recorded in OCI**	**Excluded Component Recorded in OCI**	**Income Statement Classification**	**Total Gain (Loss) Reclassified from OCI to Income**	**Excluded Component Amortized from OCI to Income**
Forward Contracts	**$ (1.2)**	**$ 1.6**	Other, net	**$ 1.5**	**$ 1.5**
Cross Currency Swap	**$ 11.7**	**$ 24.6**	Other, net	**$ 3.7**	**$ 3.7**
Non-derivative designated as Net Investment Hedge	**$ (6.7)**	**$ —**	Other, net	**$ —**	**$ —**

	2020				
(Millions of Dollars)	**Total Gain (Loss) Recorded in OCI**	**Excluded Component Recorded in OCI**	**Income Statement Classification**	**Total Gain (Loss) Reclassified from OCI to Income**	**Excluded Component Amortized from OCI to Income**
Forward Contracts	$ 0.8	$ —	Other, net	$ —	$ —
Cross Currency Swap	$ (5.4)	$ 60.7	Other, net	$ 18.2	$ 18.2
Non-derivative designated as Net Investment Hedge	$ (8.5)	$ —	Other, net	$ —	$ —

	2019				
(Millions of Dollars)	**Total Gain (Loss) Recorded in OCI**	**Excluded Component Recorded in OCI**	**Income Statement Classification**	**Total Gain (Loss) Reclassified from OCI to Income**	**Excluded Component Amortized from OCI to Income**
Forward Contracts	$ 6.4	$ 4.6	Other, net	$ 4.3	$ 4.3
Cross Currency Swap	$ 54.8	$ 48.8	Other, net	$ 29.9	$ 29.9
Option Contracts	$ (3.7)	$ —	Other, net	$ —	$ —
Non-derivative designated as Net Investment Hedge	$ 21.7	$ —	Other, net	$ —	$ —

UNDESIGNATED HEDGES

Foreign Exchange Contracts: Currency swaps and foreign exchange forward contracts are used to reduce risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (such as affiliate loans, payables and receivables). The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. The total notional amount of the forward contracts outstanding at January 1, 2022 was $1.2 billion maturing on various dates through 2022. The total notional amount of the forward contracts outstanding at January 2, 2021 was $1.3 billion maturing on various dates through 2021. The gain (loss) recorded in the consolidated statements of operations from changes in the fair value related to derivatives not designated as hedging instruments under ASC 815 for 2021, 2020 and 2019 are as follows:

(Millions of Dollars)	**Income Statement Classification**	**2021**	**2020**	**2019**
Foreign Exchange Contracts	Other-net	**$ (10.8)**	$ (15.7)	$ (4.1)

J. CAPITAL STOCK

EARNINGS PER SHARE — The following table reconciles net earnings attributable to common shareowners and the weighted-average shares outstanding used to calculate basic and diluted earnings per share for the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019.

	2021	2020	2019
Numerator (in millions):			
Net Earnings from Continuing Operations Attributable to Common Shareowners	**$ 1,586.1**	$ 1,160.9	$ 952.4
Add: Contract adjustment payments accretion	**1.3**	1.7	1.7
Net Earnings from Continuing Operations Attributable to Common Shareowners - Diluted	**1,587.4**	1,162.6	954.1
Net earnings from discontinued operations	**88.9**	48.8	1.6
Net Earnings Attributable to Common Shareowners - Diluted	**$ 1,676.3**	$ 1,211.4	$ 955.7

	2021	2020	2019
Denominator (in thousands):			
Basic weighted-average shares outstanding	**158,760**	154,176	148,365
Dilutive effect of stock contracts and awards	**6,264**	8,251	8,016
Diluted weighted-average shares outstanding	**165,024**	162,427	156,381
Earnings per share of common stock:			
Basic earnings per share of common stock:			
Continuing operations	**$ 9.99**	$ 7.53	$ 6.42
Discontinued operations	**$ 0.56**	$ 0.32	$ 0.01
Total basic earnings per share of common stock	**$ 10.55**	$ 7.85	$ 6.43
Diluted earnings per share of common stock:			
Continuing operations	**$ 9.62**	$ 7.16	$ 6.10
Discontinued operations	**$ 0.54**	$ 0.30	$ 0.01
Total dilutive earnings per share of common stock	**$ 10.16**	$ 7.46	$ 6.11

The following weighted-average stock options were not included in the computation of weighted-average diluted shares outstanding because the effect would be anti-dilutive (in thousands):

	2021	2020	2019
Number of stock options	**1,039**	2,376	2,151

In November 2019, the Company issued 7,500,000 Equity Units with a total notional value of $750.0 million ("2019 Equity Units"). Each unit has a stated amount of $100 and initially consists of a three-year forward stock purchase contract ("2022 Purchase Contracts") for the purchase of a variable number of shares of common stock, on November 15, 2022, for a price of $100 and a 10% beneficial ownership interest in one share of 0% Series D Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of $1,000 per share ("Series D Preferred Stock"). On and after November 15, 2022, the Series D Preferred Stock may be converted into common stock at the option of the holder. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. The conversion rate was initially 5.2263 shares of common stock per one share of Series D Preferred Stock, which was equivalent to an initial conversion price of approximately $191.34 per share of common stock. As of January 1, 2022, due to customary anti-dilution provisions, the conversion rate was 5.2330, equivalent to a conversion price of approximately $191.10 per share of common stock. The Series D Preferred Stock is excluded from the denominator of the diluted earnings per share calculation on the basis that the Series D Preferred Stock will be settled in cash except to the extent that the conversion value exceeds its liquidation preference. Therefore, before any redemption or conversion, the common shares that would be required to settle the applicable conversion

value in excess of liquidation preference are included in the denominator of diluted earnings per share in periods in which they are dilutive.

In May 2017, the Company issued 7,500,000 Equity Units with a total notional value of $750.0 million ("2017 Equity Units"). Each unit had a stated amount of $100 and initially consisted of a three-year forward stock purchase contract ("2020 Purchase Contracts") for the purchase of a variable number of shares of common stock, on May 15, 2020, for a price of $100, and a 10% beneficial ownership interest in one share of 0% Series C Cumulative Perpetual Convertible Preferred Stock, without par, with a liquidation preference of $1,000 per share ("Series C Preferred Stock").

The Shares associated with the forward stock purchase contracts component of the 2019 Equity Units and 2017 Equity Units have been reflected in diluted earnings per share using the if-converted method pursuant to paragraph 260-10-45-40 of ASC 260, *Earnings per share*.

In May 2020, the Company successfully remarketed the Series C Preferred Stock (the "Remarketed Series C Preferred Stock") resulting in cash proceeds of $750.0 million. Upon completion of the remarketing, the holders of the 2017 Equity Units received 5,463,750 common shares and the Company issued 750,000 shares of Remarketed Series C Preferred Stock, without par, with a liquidation preference of $1,000 per share. Holders of the Remarketed Series C Preferred Stock were entitled to receive cumulative dividends, if declared by the Board of Directors, at an initial fixed rate equal to 5.0% per annum of the $1,000 per share liquidation preference (equivalent to $50.00 per annum per share). Beginning on May 15, 2020, the holders had the option to convert the Remarketed Series C Preferred Stock into common stock. At the election of the Company, upon conversion, the Company may deliver cash, common stock, or a combination thereof. In connection with the remarketing described above, the conversion rate was reset to 6.7352 shares of the Company's common stock per one share of Remarketed Series C Preferred Stock, which was equivalent to a conversion price of approximately $148.47 per share of common stock.

On April 28, 2021, the Company informed holders that it would redeem all outstanding shares of the Remarketed Series C Preferred Stock on June 3, 2021 (the "Redemption Date") at $1,002.50 per share in cash (the "Redemption Price") which was equal to 100% of the liquidation preference of a share of Remarketed Series C Preferred Stock, plus accumulated and unpaid dividends to, but excluding, the Redemption Date. If a holder elected to convert its shares of Remarketed Series C Preferred Stock prior to the Redemption Date, the Company elected a combination settlement with a specified cash amount of $1,000 per share. In June 2021, the Company redeemed the Remarketed Series C Preferred Stock and settled all conversions, paying $750 million in cash and issuing 1,469,055 common shares. The conversion rate used was 6.7548 (equivalent to a conversion price set at $148.04 per common share). Prior to the Redemption Date, the Remarketed Series C Preferred Stock was excluded from the denominator of the diluted earnings per share calculation on the basis that the Remarketed Series C Preferred Stock would be settled in cash except to the extent that the conversion value exceeded its liquidation preference. Therefore, before any redemption or conversion, the common shares that would be required to settle the applicable conversion value in excess of the liquidation preference were included in the denominator of diluted earnings per share in periods in which they were dilutive.

See "Other Equity Arrangements" below for further details of the above transactions.

COMMON STOCK ACTIVITY — Common stock activity for 2021, 2020 and 2019 was as follows:

	2021	2020	2019
Outstanding, beginning of year	**160,752,262**	153,506,409	151,302,450
Issued from treasury	**3,105,587**	7,474,394	2,391,336
Returned to treasury	**(529,073)**	(228,541)	(187,377)
Outstanding, end of year	**163,328,776**	160,752,262	153,506,409
Shares subject to the forward share purchase contract	**(3,645,510)**	(3,645,510)	(3,645,510)
Outstanding, less shares subject to the forward share purchase contract	**159,683,266**	157,106,752	149,860,899

Upon completion of the remarketing of the Series C Preferred Stock in May 2020, the holders of the 2017 Equity Units received 5,463,750 shares of common stock and the Company issued 750,000 shares of Remarketed Series C Preferred Stock.

In March 2015, the Company entered into a forward share purchase contract with a financial institution counterparty for 3,645,510 shares of common stock. The contract obligates the Company to pay $350.0 million, plus an additional amount related to the forward component of the contract. In February 2020, the Company amended the settlement date to April 2022, or earlier at the Company's option. The reduction of common shares outstanding was recorded at the inception of the forward share purchase contract in March 2015 and factored into the calculation of weighted-average shares outstanding at that time.

COMMON STOCK RESERVED — Common stock shares reserved for issuance under various employee and director stock plans at January 1, 2022 and January 2, 2021 are as follows:

	2021	2020
Employee stock purchase plan	**1,388,655**	1,480,962
Other stock-based compensation plans	**5,260,005**	8,113,781
Total shares reserved	**6,648,660**	9,594,743

STOCK-BASED COMPENSATION PLANS — The Company has stock-based compensation plans for salaried employees and non-employee members of the Board of Directors. The plans provide for discretionary grants of stock options, restricted stock units and other stock-based awards.

The plans are generally administered by the Compensation and Talent Development Committee of the Board of Directors, consisting of non-employee directors.

Stock Option Valuation Assumptions:

Stock options are granted at the fair market value of the Company's stock on the date of grant and have a 10-year term. Generally, stock option grants vest ratably over 4 years from the date of grant.

The following describes how certain assumptions affecting the estimated fair value of stock options are determined: the dividend yield is computed as the annualized dividend rate at the date of grant divided by the strike price of the stock option; expected volatility is based on an average of the market implied volatility and historical volatility for the 5.25 year expected life; the risk-free interest rate is based on U.S. Treasury securities with maturities equal to the expected life of the option; and a eight percent forfeiture rate is assumed. The Company uses historical data in order to estimate forfeitures and holding period behavior for valuation purposes.

The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used to value grants made in 2021, 2020 and 2019:

	2021	2020	2019
Average expected volatility	**34.0 %**	35.0 %	25.0 %
Dividend yield	**1.6 %**	1.6 %	1.8 %
Risk-free interest rate	**1.3 %**	0.4 %	1.5 %
Expected life	**5.3 years**	5.3 years	5.3 years
Fair value per option	**$ 52.39**	$ 48.36	$ 30.09
Weighted-average vesting period	**2.9 years**	2.8 years	2.8 years

Stock Options:

The number of stock options and weighted-average exercise prices as of January 1, 2022 are as follows:

	Options	Price
Outstanding, beginning of year	5,875,246	$ 138.84
Granted	862,317	193.97
Exercised	(1,035,468)	113.51
Forfeited	(128,423)	163.43
Outstanding, end of year	5,573,672	$ 151.46
Exercisable, end of year	3,233,635	$ 134.97

At January 1, 2022, the range of exercise prices on outstanding stock options was $70.61 to $193.97. Stock option expense was $36.4 million, $31.6 million and $27.7 million for the years ended January 1, 2022, January 2, 2021 and December 28, 2019, respectively. At January 1, 2022, the Company had $73.9 million of unrecognized pre-tax compensation expense for stock options. This expense will be recognized over the remaining vesting periods which are 1.9 years on a weighted-average basis.

During 2021, the Company received $117.5 million in cash from the exercise of stock options. The related cash tax benefit from the exercise of these options was $19.7 million. During 2021, 2020 and 2019, the total intrinsic value of options exercised

was $85.3 million, $104.3 million and $143.7 million, respectively. When options are exercised, the related shares are issued from treasury stock.

An excess tax benefit is generated on the extent to which the actual gain, or spread, an optionee receives upon exercise of an option exceeds the fair value determined at the grant date; that excess spread over the fair value of the option times the applicable tax rate represents the excess tax benefit. During 2021, 2020 and 2019, the excess tax benefit arising from tax deductions in excess of recognized compensation cost totaled $14.1 million, $17.6 million and $25.8 million, respectively, and was recorded in income tax expense.

Outstanding and exercisable stock option information at January 1, 2022 follows:

	Outstanding Stock Options			Exercisable Stock Options		
Exercise Price Ranges	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$100.00 and below	435,269	1.78	$ 80.63	435,269	1.78	$ 80.63
100.01 — 165.00	2,572,398	6.50	133.35	1,850,961	6.06	128.88
165.01 — higher	2,566,005	8.45	181.63	947,405	6.69	171.83
	5,573,672	7.04	$ 151.46	3,233,635	5.67	$ 134.97

Compensation cost for new grants is recognized on a straight-line basis over the vesting period. The expense for retirement eligible employees (those aged 55 and over and with 10 or more years of service) is recognized by the date they become retirement eligible, as such employees may retain their options for the 10 year contractual term in the event they retire prior to the end of the vesting period stipulated in the grant.

As of January 1, 2022, the aggregate intrinsic value of stock options outstanding and stock options exercisable was $211.7 million and $173.5 million, respectively.

Employee Stock Purchase Plan:

The Employee Stock Purchase Plan (“ESPP”) enables eligible employees in the United States, Canada and Israel to purchase shares of the Company's common stock at the lower of 85.0% of the fair market value of the shares on the grant date ($150.40 per share for fiscal year 2021 purchases) or 85.0% of the fair market value of the shares on the last business day of each month. A maximum of 1,600,000 shares are authorized for subscription. In conjunction with the Company’s cost savings initiatives, the ESPP was temporarily suspended in 2019 and was subsequently reinstated in 2020. During 2021, 2020 and 2019, 92,307 shares, 119,038 shares and 12,465 shares, respectively, were issued under the plan at average prices of $150.21, $110.97, and $103.02 per share, respectively, and the intrinsic value of the ESPP purchases was $3.9 million, $3.3 million and $0.3 million, respectively. For 2021, the Company received $13.9 million in cash from ESPP purchases, and there was no related tax benefit. The fair value of ESPP shares was estimated using the Black-Scholes option pricing model. ESPP compensation cost is recognized ratably over the one year term based on actual employee stock purchases under the plan. The fair value of the employees’ purchase rights under the ESPP was estimated using the following assumptions for 2021, 2020 and 2019, respectively: dividend yield of 1.6%, 1.7% and 2.2%; expected volatility of 55.0%, 28.0% and 28.0%; risk-free interest rates of 0.1%, 1.6%, and 2.5%; and expected lives of one year. The weighted-average fair value of those purchase rights granted in 2021, 2020 and 2019 was $45.46, $41.02 and $27.75, respectively. Total compensation expense recognized for ESPP was $4.4 million in 2021, $3.9 million in 2020 and de minimus in 2019.

Restricted Share Units and Awards:

Compensation cost for restricted share units and awards, including restricted shares granted to French employees in lieu of RSUs, (collectively “RSUs”) granted to employees is recognized ratably over the vesting term, which varies but is generally 4 years. RSU grants totaled 463,084 shares, 325,448 shares and 282,598 shares in 2021, 2020 and 2019, respectively. The weighted-average grant date fair value of RSUs granted in 2021, 2020 and 2019 was $193.66, $165.44 and $149.14 per share, respectively.

Total compensation expense recognized for RSUs amounted to $47.3 million, $35.6 million and $41.2 million in 2021, 2020 and 2019, respectively. The actual tax benefit received related to the shares that were delivered in 2021 was $10.4 million. The excess tax benefit recognized was $2.5 million, $2.3 million, and $3.2 million in 2021, 2020 and 2019, respectively. As of January 1, 2022, unrecognized compensation expense for RSUs amounted to $117.2 million and will be recognized over a weighted-average period of 2 years.

A summary of non-vested restricted stock unit and award activity as of January 1, 2022, and changes during the twelve month period then ended is as follows:

	Restricted Share Units & Awards	Weighted-Average Grant Date Fair Value
Non-vested at January 2, 2021	831,384	$ 151.26
Granted	463,084	193.66
Vested	(288,467)	153.27
Forfeited	(27,650)	161.11
Non-vested at January 1, 2022	978,351	$ 173.06

The total fair value of shares vested (market value on the date vested) during 2021, 2020 and 2019 was $53.3 million, $58.5 million and $56.7 million, respectively.

Prior to 2020, non-employee members of the Board of Directors received annual restricted share-based grants which must be cash settled and accordingly mark-to-market accounting is applied. In 2021, 2020 and 2019 the Company recognized $1.1 million, $1.6 million and $6.8 million of expense for these awards, respectively. Beginning in 2020, the annual grant issued to non-employee members of the Board of Directors will be stock settled. The expense related to the annual grant in 2021 and 2020 was $2.0 million and $1.4 million, respectively. Additionally, members of the Board of Directors were granted restricted share units for which compensation expense of $1.4 million, $1.0 million, and $1.2 million was recognized for 2021, 2020 and 2019, respectively.

Management Incentive Compensation Plan Performance Stock Units:

In 2020 and 2019, the Company granted Performance Stock Units (collectively "MICP-PSUs") under the Management Incentive Compensation Plan ("MICP") to participating employees. Awards are payable in shares of common stock and generally no award is made if the employee terminates employment prior to the settlement dates. The ultimate delivery of the shares related to the 2020 and 2019 MICP-PSU grant will occur ratably in 2021, 2022, and 2023 for the 2020 plan and in 2020, 2021, and 2022 for the 2019 plan. The total shares to be delivered are based on actual 2020 and 2019 performance in relation to the established goals.

A summary of the activity pertaining to the maximum number of shares that may be issued is as follows:

	Share Units	Weighted-Average Grant Date Fair Value
Non-vested at January 2, 2021	593,035	$ 99.93
Granted	—	—
Vested	(165,480)	104.91
Forfeited	(177,825)	94.18
Non-vested at January 1, 2022	249,730	$ 100.73

Compensation cost for these performance awards is recognized ratably over the vesting term of 3 years. Total expense recognized in 2021, 2020 and 2019 related to these MICP-PSUs approximated $15.7 million, $18.5 million and $9.5 million, respectively. The actual tax benefit received related to the shares that were delivered in 2021 and 2020 was $5.6 million and $1.9 million, respectively.

Long-Term Performance Awards:

The Company has granted Long-Term Performance Awards (“LTIP”) under its 2018 Omnibus Award Plan and 2013 Long Term Incentive Plan to senior management employees for achieving Company performance measures. Awards are payable in shares of common stock, which may be restricted if the employee has not achieved certain stock ownership levels, and generally no award is made if the employee terminates employment prior to the settlement date. LTIP grants were made in 2019, 2020 and 2021. Each grant has separate annual performance goals for each year within the respective three year performance period. Earnings per share and cash flow return on investment represent 75% of the grant value. There is a third market-based metric, representing 25% of the total grant, which measures the Company’s common stock return relative to peers over the performance period. The ultimate delivery of shares will occur in 2022, 2023, and 2024 for the 2019, 2020 and 2021 grants, respectively. Share settlements are based on actual performance in relation to these goals.

Expense recognized for these performance awards amounted to $11.1 million in 2021, $17.1 million in 2020, and $9.0 million in 2019. With the exception of the market-based metric comprising 25% of the award, in the event performance goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed. The actual tax benefit received related to the shares that were delivered in 2021 and 2020 was $0.8 million and $3.9 million, respectively. The excess tax benefit recognized was $0.1 million, $0.7 million, and $1.5 million in 2021, 2020 and 2019, respectively.

A summary of the activity pertaining to the maximum number of shares that may be issued is as follows:

	Share Units	Weighted-Average Grant Date Fair Value
Non-vested at January 2, 2021	608,738	$ 142.58
Granted	211,894	163.45
Vested	(50,270)	155.83
Forfeited	(120,556)	155.83
Non-vested at January 1, 2022	649,806	$ 145.90

OTHER EQUITY ARRANGEMENTS

2019 Equity Units and Capped Call Transactions

In conjunction with the issuance of the 2019 Equity Units in November 2019, as further discussed above, the Company received approximately $734.5 million in cash proceeds, net of offering expenses and underwriting costs and commissions. The proceeds were attributed to the issuance of 750,000 shares of Series D Preferred Stock for $620.3 million and $114.2 million for the present value of the quarterly payments to holders of the 2022 Purchase Contracts ("Contract Adjustment Payments"), as discussed further below. The proceeds were used, together with cash on hand, to redeem the 2052 Junior Subordinate Debentures in December 2019. The Company also used $19.2 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution as described in more detail below.

The 2019 Equity Units are accounted for as one unit of account based on the economic linkage between the 2022 Purchase Contracts and Series D Preferred Stock, as well as the combination criteria outlined in ASC 815. The 2019 Equity Units represent mandatorily convertible preferred stock.

In November 2019, the Company issued 750,000 shares of Series D Preferred Stock, without par, with a liquidation preference of $1,000 per share. The convertible preferred stock will initially not bear any dividends and the liquidation preference of the convertible preferred stock will not accrete. The convertible preferred stock has no maturity date and will remain outstanding unless converted by holders or redeemed by the Company. Holders of shares of the convertible preferred stock will generally have no voting rights.

The Series D Preferred Stock is pledged as collateral to support holders' purchase obligations under the 2022 Purchase Contracts and will be remarketed. In connection with any successful remarketing, the Company may (but is not required to) modify certain terms of the convertible preferred stock, including the dividend rate, the conversion rate, and the earliest redemption date. After any successful remarketing in connection with which the dividend rate on the convertible preferred stock is increased, the Company will pay cumulative dividends on the convertible preferred stock, if declared by the Board of Directors, quarterly in arrears from the applicable remarketing settlement date.

The Company may not redeem the Series D Preferred Stock prior to December 22, 2022. At the election of the Company, on or after December 22, 2022, the Company may redeem for cash, all or any portion of the outstanding shares of the Series D Preferred Stock at a redemption price equal to 100% of the liquidation preference, plus any accumulated and unpaid dividends. If the Company calls the Series D Preferred Stock for redemption, holders may convert their shares immediately preceding the redemption date.

The 2022 Purchase Contracts obligate the holders to purchase, on November 15, 2022, for a price of $100 per share in cash, a maximum number of 4.7 million shares of the Company's common stock (subject to customary anti-dilution adjustments). The 2022 Purchase Contract holders may elect to settle their obligation early, in cash. The Series D Preferred Stock is pledged as collateral to guarantee the holders' obligations to purchase common stock under the terms of the 2022 Purchase Contracts. The initial settlement rate determining the number of shares that each holder must purchase will not exceed the maximum settlement rate and is determined over a market value averaging period immediately preceding November 15, 2022.

The initial maximum settlement rate of 0.6272 was calculated using an initial reference price of $159.45, equal to the last reported sale price of the Company's common stock on November 7, 2019. As of January 1, 2022, due to the customary anti-dilution provisions, the maximum settlement rate was 0.6280, equivalent to a reference price of $159.23. If the applicable market value of the Company's common stock is less than or equal to the reference price, the settlement rate will be the maximum settlement rate; and if the applicable market value of the Company's common stock is greater than the reference price, the settlement rate will be a number of shares of the Company's common stock equal to $100 per share divided by the applicable market value. Upon a successful remarketing of the Series D Preferred Stock (the "Remarketed Series D Preferred Stock"), the Company will receive additional cash proceeds of $750 million and issue shares of Remarketed Series D Preferred Stock.

The Company pays Contract Adjustment Payments to holders of the 2022 Purchase Contracts at a rate of 5.25% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15, which commenced on February 15, 2020. The $114.2 million present value of the Contract Adjustment Payments reduced the Series D Preferred Stock at inception. As each quarterly Contract Adjustment Payment is made, the related liability is reduced and the difference between the cash payment and the present value will accrete to interest expense, approximately $1.3 million per year over the three-year term. As of January 1, 2022, the present value of the Contract Adjustment Payments was $38.3 million.

The holders can settle the purchase contracts early, for cash, subject to certain exceptions and conditions in the prospectus supplement. Upon early settlement of any purchase contracts, the Company will deliver the number of shares of its common stock equal to 85% of the number of shares of common stock that would have otherwise been deliverable.

Capped Call Transactions

In order to offset the potential economic dilution associated with the common shares issuable upon conversion of the Series D Preferred Stock, to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference, the Company entered into capped call transactions with three major financial institutions.

The capped call transactions have a term of approximately three years and are intended to cover the number of shares issuable upon conversion of the Series D Preferred Stock. Subject to customary anti-dilution adjustments, the capped call had an initial lower strike price of $191.34, which corresponded to the minimum 5.2263 settlement rate of the Series D Preferred Stock, and an upper strike price of $207.29, which was approximately 30% higher than the closing price of the Company’s common stock on November 7, 2019. As of January 1, 2022, due to the customary anti-dilution provisions, the capped call transactions were at an adjusted lower strike price of $191.10 and an adjusted upper strike price of $207.02.

The capped call transactions may be settled by net share settlement (the default settlement method) or, at the Company’s option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The number of shares the Company will receive will be determined by the terms of the contracts using a volume-weighted average price calculation for the market value of the Company's common stock, over an averaging period. The market value determined will then be measured against the applicable strike price of the capped call transactions. The Company expects the capped call transactions to offset the potential dilution upon conversion of the Series D Preferred Stock if the calculated market value is greater than the lower strike price but less than or equal to the upper strike price of the capped call transactions. Should the calculated market value exceed the upper strike price of the capped call transactions, the dilution mitigation will be limited based on such capped value as determined under the terms of the contracts.

With respect to the impact on the Company, the capped call transactions and 2019 Equity Units, when taken together, result in the economic equivalent of having the conversion price on the 2019 Equity Units at $207.02, the upper strike price of the capped call as of January 1, 2022.

The Company paid $19.2 million, or an average of $4.90 per option, to enter into capped call transactions on 3.9 million shares of common stock. The $19.2 million premium paid was recorded as a reduction of Shareowners’ Equity. The aggregate fair value of the options at January 1, 2022 was $26.0 million.

2017 Equity Units and Capped Call Transactions

In conjunction with the issuance of the 2017 Equity Units in May 2017, as further discussed above, the Company received approximately $727.5 million in cash proceeds, net of offering expenses and underwriting costs and commissions. The proceeds were attributed to the issuance of 750,000 shares of Series C Preferred Stock for $605.0 million, $117.1 million for the present value of the Contract Adjustment Payments, and a beneficial conversion feature of $5.4 million. The proceeds were used for

general corporate purposes, including repayment of short-term borrowings. The Company also used $25.1 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution as described in more detail below.

The 2017 Equity Units are accounted for as one unit of account based on the economic linkage between the 2020 Purchase Contracts and the Series C Preferred Stock, as well as the combination criteria outlined in ASC 815. The 2017 Equity Units represent mandatorily convertible preferred stock.

In May 2017, the Company issued 750,000 shares of Series C Preferred Stock, without par, with a liquidation preference of $1,000 per share. The convertible preferred stock initially did not bear any dividends and the liquidation preference of the convertible preferred stock did not accrete. The convertible preferred stock had no maturity date and remained outstanding unless converted by holders or redeemed by the Company. Holders of shares of the convertible preferred stock generally had no voting rights. The Series C Preferred Stock was pledged as collateral to support holders' purchase obligations under the 2020 Purchase Contracts.

As discussed further above, the Company successfully remarketed the Series C Preferred Stock in May 2020. Subsequent to the remarketing, holders of the Remarketed Series C Preferred Stock were entitled to receive, if declared by the Board of Directors, cumulative dividends (i) from, and including May 15, 2020 to, but excluding, May 15, 2023 (the "dividend step-up date") at a fixed rate equal to 5.0% per annum of the $1,000 per share liquidation preference (equivalent to $50.00 per annum per share) and (ii) from, and including, the dividend step-up date at a fixed rate equal to 10.0% per annum of the $1,000 per share liquidation preference (equivalent to $100.00 per annum per share). Dividends were cumulative on the $1,000 liquidation preference per share and will be payable, if declared by the Board of Directors, quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2020. Dividends accrued on the Remarketed Series C Preferred Stock reduced net earnings for purposes of calculating earnings per share.

The Company did not have the right to redeem the Remarketed Series C Preferred Stock prior to May 15, 2021. On April 28, 2021, the Company informed holders that it would redeem all outstanding shares of the Remarketed Series C Preferred Stock on June 3, 2021 (the "Redemption Date") at $1,002.50 per share in cash (the "Redemption Price"), which was equal to 100% of the liquidation preference of a share of Remarketed Series C Preferred Stock, plus accumulated and unpaid dividends to, but excluding, the Redemption Date. If a holder elected to convert its shares of Remarketed Series C Preferred Stock prior to the Redemption Date, the Company elected a combination settlement with a specified cash amount of $1,000 per share. In June 2021, the Company redeemed the Remarketed Series C Preferred Stock and settled all conversions, paying $750 million in cash and issuing 1,469,055 common shares. The conversion rate used was 6.7548 (equivalent to a conversion price set at $148.04 per common share).

The Company generated cash proceeds of $750.0 million from the successful remarketing of the Series C Preferred Stock. Upon completion of the remarketing in May 2020, the holders of the 2017 Equity Units received 5,463,750 common shares using the maximum settlement rate of 0.7285 (equivalent to a reference price of $137.26 per common share), and the Company issued 750,000 shares of Remarketed Series C Preferred Stock.

The Company paid Contract Adjustment Payments to the holders of the 2020 Purchase Contracts at a rate of 5.375% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15, which commenced August 15, 2017. The $117.1 million initial present value of these Contract Adjustment Payments reduced the Series C Preferred Stock at inception. As each quarterly Contract Adjustment Payment was made, the related liability was reduced and the difference between the cash payments and the present value accreted to interest expense, approximately $1.3 million per year over the three-year term. On May 15, 2020, the Company paid the final contract adjustment payment related to the 2020 Purchase Contracts.

Capped Call Transactions

In May 2017, the Company entered into capped call transactions with three major financial institutions (the "counterparties") in order to offset the potential economic dilution associated with the common shares issuable upon conversion of the Series C Preferred Stock, to the extent that the conversion value of the convertible preferred stock exceeds its liquidation preference. The Company paid $25.1 million, or an average of $5.43 per option, to enter into capped call transactions on 4.6 million shares of common stock. The $25.1 million premium paid was recorded as a reduction of Shareowners' Equity.

The capped call transactions had a term of approximately three years and were intended to cover the number of shares issuable upon conversion of the Series C Preferred Stock. Subject to customary anti-dilution adjustments, the capped call had an initial lower strike price of $162.27, which corresponded to the minimum 6.1627 settlement rate of the Series C Preferred Stock at inception, and an upper strike price of $179.53, which was approximately 30% higher than the closing price of the Company's common stock on May 11, 2017. In June 2020, the capped call options expired out of the money.

2018 Capped Call Transactions

In March 2018, the Company purchased from a financial institution "at-the money" capped call options with an approximate term of three years, on 3.2 million shares of its common stock (subject to customary anti-dilution adjustments) for an aggregate premium of $57.3 million, or an average of $17.96 per share. The premium paid was recorded as a reduction of Shareowners' Equity. The purpose of the capped call options was to hedge the risk of stock price appreciation between the lower and upper strike prices of the capped call options for a future share repurchase.

In February 2020, the Company net-share settled 0.6 million of the 3.2 million capped call options on its common stock and received 61,767 shares using an average reference price of $162.26 per common share.

On June 9, 2020, the Company amended the 2018 capped call options to align with and offset the potential economic dilution associated with the common shares issuable upon conversion of the Remarketed Series C Preferred Stock, as further discussed above. Subsequent to the amendment, the capped call options, subject to anti-dilution, had an initial lower strike price of $148.34 and an upper strike price of $165.00, which was approximately 30% higher than the closing price of the Company's common stock on June 9, 2020.

The capped call transactions may be settled by net share settlement (the default settlement method) or, at the Company's option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The number of shares the Company will receive will be determined by the terms of the contracts using a volume-weighted average price calculation for the market value of the Company's common stock, over an averaging period. The market value determined will then be measured against the applicable strike price of the capped call transactions.

During the second quarter of 2021, the Company net-share settled the remaining capped call options on its common stock and received 344,004 shares using an average reference price of $209.80 per common share.

K. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of Accumulated other comprehensive loss:

(Millions of Dollars)	Currency translation adjustment and other	(Losses) gains on cash flow hedges, net of tax	Gains (losses) on net investment hedges, net of tax	Pension (losses) gains, net of tax	Total
Balance - December 28, 2019	$ (1,517.2)	$ (54.2)	$ 97.3	$ (410.5)	$ (1,884.6)
Other comprehensive income (loss) before reclassifications	266.2	(64.2)	(10.7)	(53.4)	137.9
Adjustments related to sales of businesses	15.7	—	—	0.6	16.3
Reclassification adjustments to earnings	—	15.4	(13.8)	15.1	16.7
Net other comprehensive income (loss)	281.9	(48.8)	(24.5)	(37.7)	170.9
Balance - January 2, 2021	**$ (1,235.3)**	**$ (103.0)**	**$ 72.8**	**$ (448.2)**	**$ (1,713.7)**
Other comprehensive (loss) income before reclassifications	(307.7)	36.2	2.9	107.0	(161.6)
Reclassification adjustments to earnings	—	17.0	(3.9)	16.6	29.7
Net other comprehensive (loss) income	(307.7)	53.2	(1.0)	123.6	(131.9)
Balance - January 1, 2022	**$ (1,543.0)**	**$ (49.8)**	**$ 71.8**	**$ (324.6)**	**$ (1,845.6)**

The reclassifications out of Accumulated other comprehensive loss for the twelve months ended January 1, 2022 and January 2, 2021 were as follows:

(Millions of Dollars)	2021	2020	
Components of accumulated other comprehensive loss	**Reclassification adjustments**	**Reclassification adjustments**	**Affected line item in Consolidated Statements of Operations**
Realized (losses) gains on cash flow hedges	**$ (26.1)**	$ 12.4	Cost of sales
Realized losses on cash flow hedges	**—**	(19.6)	Other, net
Realized losses on cash flow hedges	**(3.9)**	(16.3)	Interest expense
Total before taxes	**$ (30.0)**	$ (23.5)	
Tax effect	**13.0**	8.1	Income taxes
Realized losses on cash flow hedges, net of tax	**$ (17.0)**	$ (15.4)	
Realized gains on net investment hedges	**$ 5.2**	$ 18.2	Other, net
Tax effect	**(1.3)**	(4.4)	Income taxes
Realized gains on net investment hedges, net of tax	**$ 3.9**	$ 13.8	
Actuarial losses and prior service costs / credits	**(21.0)**	(19.5)	Other, net
Settlement losses	**(1.1)**	(0.6)	Other, net
Total before taxes	**(22.1)**	(20.1)	
Tax effect	**5.5**	5.0	Income taxes
Amortization of defined benefit pension items, net of tax	**$ (16.6)**	$ (15.1)	

L. EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN ("ESOP") — Most U.S. employees may make contributions that do not exceed 25% of their eligible compensation to a tax-deferred 401(k) savings plan, subject to restrictions under tax laws. Employees generally direct the investment of their own contributions into various investment funds. An employer match benefit is provided under the plan equal to one-half of each employee's tax-deferred contribution up to the first 7% of their compensation. Participants direct the entire employer match benefit such that no participant is required to hold the Company's common stock in their 401(k) account. The employer match benefit totaled $28.0 million, $9.2 million and $24.6 million in 2021, 2020 and 2019, respectively. In 2020, the Match was suspended from the second quarter to the end of the year.

In addition, approximately 10,850 U.S. salaried and non-union hourly employees are eligible to receive a non-contributory benefit under the Core benefit plan. Core benefit allocations range from 2% to 6% of eligible employee compensation based on age. Allocations for benefits earned under the Core plan were $31.1 million, $5.4 million, and $28.4 million in 2021, 2020 and 2019, respectively. In 2020, the Core allocations were also suspended from the second quarter to the end of the year. Assets held in participant Core accounts are invested in target date retirement funds which have an age-based allocation of investments.

Prior to 2021, shares of the Company's common stock that were purchased with the proceeds of borrowings from the Company in 1991 ("1991 internal loan") were held by the ESOP. Shareowners' equity reflects a reduction equal to the cost basis of unallocated shares purchased with the internal borrowings. Unallocated shares were released from the trust based on current period debt principal and interest payments as a percentage of total future debt principal and interest payments. Dividends on both allocated and unallocated shares were used for debt service and to credit participant accounts for dividends earned on allocated shares. Dividends paid on the shares acquired with the 1991 internal loan were used solely to pay internal loan debt service in all periods. There are no unallocated shares remaining as of January 1, 2022, as all shares in the ESOP trust holding account were released as of the first quarter of 2020.

The Company's net ESOP activity resulted in expense of $59.1 million and $4.4 million in 2021 and 2020, respectively, and income of $5.1 million in 2019. Net ESOP activity recognized for 2021 is comprised of the aforementioned Core and 401(k) match defined contribution benefits. Net ESOP activity for 2020 and 2019 is comprised of the cost basis of shares released, the cost of the aforementioned Core and 401(k) match defined contribution benefits, less the fair value of shares released and dividends on unallocated ESOP shares and was affected by the market value of the Company's common stock on the monthly dates when shares were released. The weighted-average market value of shares released was $146.08 per share in 2020 and $138.67 per share in 2019.

The Company made cash contributions totaling $35.7 million in 2021, $9.2 million in 2020 and $2.2 million in 2019, excluding additional contributions of $7.2 million and $7.0 million in 2020 and 2019, which were used by the ESOP to make additional payments on the 1991 internal loan. These payments triggered the release of 226,212 and 207,049 shares of unallocated stock in 2020 and 2019, respectively. Dividends on ESOP shares, which were charged to shareowners' equity as declared, were $1.3 million and $6.3 million in 2020 and 2019, respectively, net of the tax benefit which is recorded in earnings. Interest costs incurred by the ESOP on the 1991 internal loan, which have no earnings impact, were $0.1 million and $0.5 million for 2020 and 2019, respectively. Both allocated and unallocated ESOP shares were treated as outstanding for purposes of computing earnings per share. As of January 2, 2021, the cumulative number of ESOP shares allocated was 15,541,357, of which participants held 1,638,044 shares.

PENSION AND OTHER BENEFIT PLANS — The Company sponsors pension plans covering most domestic hourly and certain executive employees, and approximately 14,800 foreign employees. Benefits are generally based on salary and years of service, except for U.S. collective bargaining employees whose benefits are based on a stated amount for each year of service.

The Company contributes to a number of multi-employer plans for certain collective bargaining U.S. employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefit to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers.

c. If the Company chooses to stop participating in some of its multi-employer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In addition, the Company also contributes to a number of multi-employer plans outside of the U.S. The foreign plans are insured, therefore, the Company's obligation is limited to the payment of insurance premiums.

The Company has assessed and determined that none of the multi-employer plans to which it contributes are individually significant to the Company's Consolidated Financial Statements. The Company does not expect to incur a withdrawal liability or expect to significantly increase its contributions over the remainder of the contract period.

In addition to the multi-employer plans, various other defined contribution plans are sponsored worldwide. As of January 1, 2022 and January 2, 2021 the Company had $135.8 million and $120.2 million, respectively, of liabilities pertaining to an unfunded supplemental defined contribution plan for certain U.S. employees.

The expense for defined contribution plans, aside from the earlier discussed ESOP plans, is as follows:

(Millions of Dollars)	2021	2020	2019
Multi-employer plan expense	**$ 7.1**	$ 7.8	$ 7.2
Other defined contribution plan expense	**$ 28.6**	$ 24.9	$ 31.3

The components of net periodic pension expense (benefit) are as follows:

	U.S. Plans			Non-U.S. Plans		
(Millions of Dollars)	2021	2020	2019	2021	2020	2019
Service cost	**$ 6.5**	$ 6.8	$ 12.3	**$ 17.6**	$ 16.1	$ 14.6
Interest cost	**23.0**	35.3	47.1	**16.7**	22.5	30.3
Expected return on plan assets	**(54.9)**	(58.7)	(61.7)	**(39.9)**	(41.2)	(45.6)
Amortization of prior service cost (credit)	**1.1**	1.0	1.0	**(0.8)**	(0.7)	(0.6)
Actuarial loss amortization	**9.2**	8.5	8.0	**12.2**	11.7	8.6
Special termination benefit	**—**	—	—	**—**	0.2	—
Settlement / curtailment loss	**0.4**	—	—	**0.7**	0.6	1.0
Net periodic pension (benefit) expense	**$ (14.7)**	$ (7.1)	$ 6.7	**$ 6.5**	$ 9.2	$ 8.3

The Company provides medical and dental benefits for certain retired employees in the United States, Brazil, and Canada. Approximately 16,160 participants are covered under these plans. Net periodic post-retirement benefit expense was comprised

of the following elements:

(Millions of Dollars)	Other Benefit Plans 2021	2020	2019
Service cost	**$ 0.4**	$ 0.6	$ 0.3
Interest cost	**0.9**	1.5	1.6
Amortization of prior service credit	**(0.7)**	(1.3)	(1.4)
Actuarial loss amortization	**—**	0.3	(0.3)
Special termination benefit	**—**	16.1	—
Net periodic post-retirement expense	**$ 0.6**	$ 17.2	$ 0.2

The components of net periodic benefit cost other than the service cost component are included in Other, net in the Consolidated Statements of Operations.

Changes in plan assets and benefit obligations recognized in Accumulated other comprehensive loss in 2021 are as follows:

(Millions of Dollars)	2021
Current year actuarial gain	**$ (133.4)**
Amortization of actuarial loss	**(21.0)**
Prior service cost from plan amendments	**0.9**
Settlement / curtailment loss	**(1.1)**
Currency / other	**(7.8)**
Total gain recognized in Accumulated other comprehensive loss (pre-tax)	**$ (162.4)**

The changes in the pension and other post-retirement benefit obligations, fair value of plan assets, as well as amounts recognized in the Consolidated Balance Sheets, are shown below.

	U.S. Plans		Non-U.S. Plans		Other Benefits	
(Millions of Dollars)	2021	2020	2021	2020	2021	2020
Change in benefit obligation						
Benefit obligation at end of prior year	**$ 1,404.3**	$ 1,325.4	**$ 1,622.3**	$ 1,449.9	**$ 61.2**	$ 52.2
Service cost	**6.5**	6.8	**17.6**	16.1	**0.4**	0.6
Interest cost	**23.0**	35.3	**16.7**	22.5	**0.9**	1.5
Special termination benefit	**—**	—	**—**	0.2	**—**	16.1
Settlements/curtailments	**(0.8)**	—	**(15.3)**	(5.5)	**—**	—
Actuarial (gain) loss	**(47.2)**	123.3	**(92.4)**	112.0	**(6.6)**	(2.9)
Plan amendments	**0.8**	0.1	**0.1**	0.1	**—**	—
Foreign currency exchange rate changes	**—**	—	**(37.7)**	84.9	**(0.2)**	(1.8)
Participant contributions	**—**	—	**0.2**	0.3	**—**	—
Acquisitions, divestitures, and other	**152.4**	(4.0)	**28.9**	(6.5)	**—**	—
Benefits paid	**(80.8)**	(82.6)	**(50.0)**	(51.7)	**(5.4)**	(4.5)
Benefit obligation at end of year	**$ 1,458.2**	$ 1,404.3	**$ 1,490.4**	$ 1,622.3	**$ 50.3**	$ 61.2
Change in plan assets						
Fair value of plan assets at end of prior year	**$ 1,191.5**	$ 1,103.5	**$ 1,229.6**	$ 1,093.5	$ —	$ —
Actual return on plan assets	**63.4**	160.9	**17.9**	119.3	**—**	—
Participant contributions	**—**	—	**0.2**	0.3	**—**	—
Employer contributions	**13.8**	13.7	**20.8**	22.0	**5.4**	4.5
Settlements	**(0.8)**	—	**(13.7)**	(5.2)	**—**	—
Foreign currency exchange rate changes	**—**	—	**(15.6)**	55.6	**—**	—
Acquisitions, divestitures, and other	**153.0**	(4.0)	**37.4**	(4.2)	**—**	—
Benefits paid	**(80.8)**	(82.6)	**(50.0)**	(51.7)	**(5.4)**	(4.5)
Fair value of plan assets at end of plan year	**$ 1,340.1**	$ 1,191.5	**$ 1,226.6**	$ 1,229.6	**$ —**	$ —
Funded status — assets less than benefit obligation	**$ (118.1)**	$ (212.8)	**$ (263.8)**	$ (392.7)	**$ (50.3)**	$ (61.2)
Unrecognized prior service cost (credit)	**3.5**	3.8	**(16.4)**	(17.4)	**0.1**	(0.6)
Unrecognized net actuarial loss (gain)	**213.4**	278.7	**268.3**	360.3	**(9.7)**	(3.2)
Net amount recognized	**$ 98.8**	$ 69.7	**$ (11.9)**	$ (49.8)	**$ (59.9)**	$ (65.0)

	U.S. Plans		Non-U.S. Plans		Other Benefits	
(Millions of Dollars)	2021	2020	2021	2020	2021	2020
Amounts recognized in the Consolidated Balance Sheets						
Prepaid benefit cost (non-current)	**$ 0.6**	$ —	**$ 62.4**	$ 0.2	**$ —**	$ —
Current benefit liability	**(6.0)**	(7.3)	**(10.3)**	(10.2)	**(7.5)**	(6.8)
Non-current benefit liability	**(112.7)**	(205.5)	**(315.9)**	(382.7)	**(42.8)**	(54.4)
Net liability recognized	**$ (118.1)**	$ (212.8)	**$ (263.8)**	$ (392.7)	**$ (50.3)**	$ (61.2)
Accumulated other comprehensive loss (pre-tax):						
Prior service cost (credit)	**$ 3.5**	$ 3.8	**$ (16.4)**	$ (17.4)	**$ 0.1**	$ (0.6)
Actuarial loss (gain)	**213.4**	278.7	**268.3**	360.3	**(9.7)**	(3.2)
	216.9	282.5	**251.9**	342.9	**(9.6)**	(3.8)
Net amount recognized	**$ 98.8**	$ 69.7	**$ (11.9)**	$ (49.8)	**$ (59.9)**	$ (65.0)

Actuarial losses and gains reflected in the table above are driven by changes in demographic experience, changes in assumptions, and differences in actual returns on investments compared to estimated returns. For the year ended January 1, 2022, the decrease in the benefit obligation is primarily driven by the improvement in the single equivalent discount rate used to measure these obligations. The actual return on plan assets during the year also varied in comparison to what was assumed, which also impacted the funded position. These impacts were partially offset by an updated mortality improvement scale which increased the projected obligations.

The accumulated benefit obligation for all defined benefit pension plans was $2.943 billion at January 1, 2022 and $3.022 billion at January 2, 2021. Information regarding pension plans in which accumulated benefit obligations exceed plan assets follows:

	U.S. Plans		Non-U.S. Plans	
(Millions of Dollars)	2021	2020	2021	2020
Accumulated benefit obligation	**$ 1,299.8**	$ 1,401.5	$ 326.1	$ 1,531.8
Fair value of plan assets	**$ 1,184.6**	$ 1,191.5	$ 50.3	$ 1,201.3

Information regarding pension plans in which projected benefit obligations (inclusive of anticipated future compensation increases) exceed plan assets as follows:

	U.S. Plans		Non-U.S. Plans	
(Millions of Dollars)	2021	2020	2021	2020
Projected benefit obligation	**$ 1,303.3**	$ 1,404.3	$ 399.1	$ 1,619.9
Fair value of plan assets	**$ 1,184.6**	$ 1,191.5	$ 72.9	$ 1,227.0

The major assumptions used in valuing pension and post-retirement plan obligations and net costs were as follows:

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Other Benefits		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Weighted-average assumptions used to determine benefit obligations at year end:									
Discount rate	**2.80 %**	2.39 %	3.20 %	**1.78 %**	1.31 %	1.80 %	**2.84 %**	2.19 %	3.64 %
Rate of compensation increase	**3.00 %**	3.56 %	3.50 %	**3.56 %**	3.29 %	3.30 %	**—**	3.50 %	3.50 %
Weighted-average assumptions used to determine net periodic benefit cost:									
Discount rate - service cost	**2.95 %**	3.58 %	4.43 %	**1.41 %**	1.57 %	2.37 %	**4.42 %**	5.62 %	5.22 %
Discount rate - interest cost	**1.68 %**	2.75 %	3.86 %	**1.06 %**	1.61 %	2.37 %	**1.60 %**	3.36 %	4.04 %
Rate of compensation increase	**3.00 %**	3.00 %	3.00 %	**3.27 %**	3.30 %	3.44 %	**—**	3.50 %	3.50 %
Expected return on plan assets	**4.75 %**	5.25 %	6.25 %	**3.25 %**	3.90 %	4.73 %	**—**	—	—

The expected rate of return on plan assets is determined considering the returns projected for the various asset classes and the relative weighting for each asset class. The Company will use a 4.07% weighted-average expected rate of return assumption to determine the 2022 net periodic benefit cost.

PENSION PLAN ASSETS — Plan assets are invested in equity securities, government and corporate bonds and other fixed income securities, money market instruments and insurance contracts. The Company's worldwide asset allocations at January 1, 2022 and January 2, 2021 by asset category and the level of the valuation inputs within the fair value hierarchy established by ASC 820, *Fair Value Measurement*, are as follows:

Asset Category *(Millions of Dollars)*	2021	Level 1	Level 2
Cash and cash equivalents	**$ 74.2**	**$ 55.7**	**$ 18.5**
Equity securities			
U.S. equity securities	**323.3**	**92.5**	**230.8**
Foreign equity securities	**205.9**	**44.8**	**161.1**
Fixed income securities			
Government securities	**871.1**	**340.7**	**530.4**
Corporate securities	**996.3**	**—**	**996.3**
Insurance contracts	**49.6**	**—**	**49.6**
Other	**46.3**	**—**	**46.3**
Total	**$ 2,566.7**	**$ 533.7**	**$ 2,033.0**

Asset Category *(Millions of Dollars)*	2020	Level 1	Level 2
Cash and cash equivalents	$ 83.2	$ 69.0	$ 14.2
Equity securities			
U.S. equity securities	329.4	91.2	238.2
Foreign equity securities	234.1	65.7	168.4
Fixed income securities			
Government securities	821.6	285.8	535.8
Corporate securities	867.6	—	867.6
Insurance contracts	41.7	—	41.7
Other	43.5	—	43.5
Total	$ 2,421.1	$ 511.7	$ 1,909.4

U.S. and foreign equity securities primarily consist of companies with large market capitalizations and to a lesser extent mid and small capitalization securities. Government securities primarily consist of U.S. Treasury securities and foreign government securities with de minimus default risk. Corporate fixed income securities include publicly traded U.S. and foreign investment grade and to a small extent high yield securities. Assets held in insurance contracts are invested in the general asset pools of the various insurers, mainly debt and equity securities with guaranteed returns. Other investments include diversified private equity holdings. The level 2 investments are primarily comprised of institutional mutual funds that are not publicly traded; the investments held in these mutual funds are generally level 1 publicly traded securities.

The Company's investment strategy for pension assets focuses on a liability-matching approach with gradual de-risking taking place over a period of many years. The Company utilizes the current funded status to transition the portfolio toward investments that better match the duration and cash flow attributes of the underlying liabilities. Assets approximating 50% of the Company's current pension liabilities have been invested in fixed income securities, using a liability / asset matching duration strategy, with the primary goal of mitigating exposure to interest rate movements and preserving the overall funded status of the underlying plans. Plan assets are broadly diversified and are invested to ensure adequate liquidity for immediate and medium term benefit payments. The Company’s target asset allocations include approximately 20%-40% in equity securities, approximately 50%-70% in fixed income securities and approximately 10% in other securities. The funded status percentage (total plan assets divided by total projected benefit obligation) of all global pension plans was 87% in 2021, 80% in 2020 and 79% in 2019. The increase in 2021 compared to 2020 and 2019 primarily relates to the pension plan assumed in the MTD acquisition.

CONTRIBUTIONS — The Company’s funding policy for its defined benefit plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. The Company expects to contribute approximately $41 million to its pension and other post-retirement benefit plans in 2022.

EXPECTED FUTURE BENEFIT PAYMENTS — Benefit payments, inclusive of amounts attributable to estimated future employee service, are expected to be paid as follows over the next 10 years:

(Millions of Dollars)	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10
Future payments	$ 1,505.3	$ 151.9	$ 153.8	$ 151.5	$ 150.3	$ 150.6	$ 747.2

These benefit payments will be funded through a combination of existing plan assets, the returns on those assets, and amounts to be contributed in the future by the Company.

HEALTH CARE COST TRENDS — The weighted-average annual assumed rate of increase in the per-capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 6.3% for 2022, reducing gradually to 4.6% by 2031 and remaining at that level thereafter.

M. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement*, defines, establishes a consistent framework for measuring, and expands disclosure requirements about fair value. ASC 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs and significant value drivers are observable.

Level 3 — Instruments that are valued using unobservable inputs.

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices and commodity prices. The Company holds various financial instruments to manage these risks. These financial instruments are carried at fair value and are included within the scope of ASC 820. The Company determines the fair value of these financial instruments through the use of matrix or model pricing, which utilizes observable inputs such as market interest and currency rates. When determining fair value for which Level 1 evidence does not exist, the Company considers various factors including the following: exchange or market price quotations of similar instruments, time value and volatility factors, the Company's own credit rating and the credit rating of the counterparty.

The following table presents the Company's financial assets and liabilities that are measured at fair value on a recurring basis for each of the hierarchy levels:

(Millions of Dollars)	Total Carrying Value	Level 1	Level 2	Level 3
January 1, 2022				
Money market fund	**$ 11.0**	**$ 11.0**	**$ —**	**$ —**
Equity security	**$ 13.8**	**$ 13.8**	**$ —**	**$ —**
Deferred compensation plan investments	**$ 26.2**	**$ 26.2**	**$ —**	**$ —**
Derivative assets	**$ 33.1**	**$ —**	**$ 33.1**	**$ —**
Derivative liabilities	**$ 8.7**	**$ —**	**$ 8.7**	**$ —**
Contingent consideration liability	**$ 288.6**	**$ —**	**$ —**	**$ 288.6**
January 2, 2021				
Money market fund	$ 10.3	$ 10.3	$ —	$ —
Derivative assets	$ 14.0	$ —	$ 14.0	$ —
Derivative liabilities	$ 191.0	$ —	$ 191.0	$ —
Contingent consideration liability	$ 187.0	$ —	$ —	$ 187.0

The following table provides information about the Company's financial assets and liabilities not carried at fair value:

(Millions of Dollars)	January 1, 2022		January 2, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	**$ 11.2**	**$ 11.6**	$ 13.3	$ 13.9
Long-term debt, including current portion	**$ 4,354.9**	**$ 4,850.2**	$ 4,245.4	$ 4,934.5

The money market fund and other investments related to the West Coast Loading Corporation ("WCLC") trust are considered Level 1 instruments within the fair value hierarchy. The equity security is considered a Level 1 instrument and is recorded at its quoted market price. The deferred compensation plan investments are considered Level 1 instrument and are recorded at their quoted market price. The long-term debt instruments are considered Level 2 instruments and are measured using a discounted cash flow analysis based on the Company's marginal borrowing rates. The differences between the carrying values and fair values of long-term debt are attributable to the stated interest rates differing from the Company's marginal borrowing rates. The fair values of the Company's variable rate short-term borrowings approximate their carrying values at January 1, 2022 and January 2, 2021. The fair values of derivative financial instruments in the table above are based on current settlement values.

As part of the Craftsman® brand acquisition in March 2017, the Company recorded a contingent consideration liability representing the Company's obligation to make future payments to Transform Holdco, LLC, which operates Sears and Kmart retail locations, of between 2.5% and 3.5% on sales of Craftsman products in new Stanley Black & Decker channels through March 2032. During the year ended January 1, 2022, the Company paid approximately $29.3 million for royalties owned. The Company will continue making future payments quarterly through the second quarter of 2032. The estimated fair value of the contingent consideration liability is determined using a discounted cash flow analysis taking into consideration future sales projections, forecasted payments to Transform Holdco, LLC, based on contractual royalty rates, and the related tax impacts. The estimated fair value of the contingent consideration liability was $288.6 million and $187.0 million as of January 1, 2022 and January 2, 2021, respectively. The liability increased $101 million in 2021 compared to 2020 due to additional forecasted Craftsman sales resulting from the acquisition of MTD. Adjustments to the contingent consideration liability, with the exception of cash payments, are recorded in SG&A in the Consolidated Statements of Operations. A 100-basis point reduction in the discount rate would result in an increase to the liability of approximately $10.5 million as of January 1, 2022.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The Company's judgments used to determine the estimated contingent consideration liability discussed above, including estimated future sales projections, can materially impact the Company's results of operations.

The Company had no significant non-recurring fair value measurements, nor any other financial assets or liabilities measured using Level 3 inputs, during 2021 or 2020.

Refer to *Note I, Financial Instruments*, for more details regarding derivative financial instruments, *Note S, Contingencies,* for more details regarding the other investments related to the WCLC trust, and *Note H, Long-Term Debt and Financing Arrangements*, for more information regarding the carrying values of the Company's long-term debt.

N. OTHER COSTS AND EXPENSES

Other, net is primarily comprised of intangible asset amortization expense (see *Note F, Goodwill and Intangible Assets*), currency-related gains or losses, environmental remediation expense, acquisition-related transaction and consulting costs, and certain pension gains or losses. Acquisition-related transaction and consulting costs of $24.1 million, $28.7 million, and $27.6 million were included in Other, net for the years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively. In 2020, Other, net also included a $14.1 million special termination benefit charge associated with the voluntary retirement program, a $19.6 million loss relating to the unamortized loss on cash flow swap terminations, and a $55.3 million release of a contingent consideration liability relating to the CAM acquisition. Refer to *Note E, Acquisitions and Investments*, for further discussion of the CAM contingent consideration. The year-over-year decrease in 2021 was primarily due to appreciation of Stanley Ventures' investments. The year-over-year increase in 2020 driven by higher intangible asset amortization and negative impacts from foreign currency.

During 2020, the Company recognized pre-tax charges of approximately $185.0 million related to the comprehensive cost reduction and efficiency program in response to the impact of the COVID-19 pandemic. The charges were primarily related to costs associated with a voluntary retirement program as well as restructuring costs related to headcount actions.

Research and development costs, which are classified in SG&A, were $276.3 million, $200.0 million and $240.8 million for fiscal years 2021, 2020 and 2019, respectively.

O. RESTRUCTURING CHARGES

A summary of the restructuring reserve activity from January 2, 2021 to January 1, 2022 is as follows:

(Millions of Dollars)	January 2, 2021	Net Additions	Usage	Currency	January 1, 2022
Severance and related costs	$ 77.8	$ (3.5)	$ (47.9)	$ 2.0	**$ 28.4**
Facility closures and asset impairments	2.0	18.0	(16.5)	—	**3.5**
Total	$ 79.8	$ 14.5	$ (64.4)	$ 2.0	**$ 31.9**

During 2021, the Company recognized net restructuring charges of $14.5 million, primarily related to facility closures and asset impairments.

The majority of the $31.9 million of reserves remaining as of January 1, 2022 is expected to be utilized within the next 12 months.

Segments: The $15 million of net restructuring charges for the year ended January 1, 2022 includes: $8 million pertaining to the Tools & Storage segment; $2 million pertaining to the Industrial segment; and $5 million pertaining to Corporate.

P. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations are classified into two reportable business segments: Tools & Storage and Industrial. The Company has one non-reportable business operating segment, Mechanical Access Solutions ("MAS").

The Tools & Storage segment is comprised of the Power Tools Group ("PTG"), Hand Tools, Accessories & Storage ("HTAS") and Outdoor Power Equipment ("Outdoor") businesses. The PTG business includes both professional and consumer products. Professional products include professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders, as well as pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors. Consumer products include corded and cordless electric power tools sold primarily under the BLACK+DECKER® brand, and home products such as hand-held vacuums, paint tools and cleaning appliances. The HTAS business sells hand tools, power tool accessories and storage products. Hand tools include measuring, leveling and layout tools, planes, hammers, demolition tools, clamps, vises, knives, saws, chisels and industrial and automotive tools. Power tool accessories include drill bits, screwdriver bits, router bits, abrasives, saw blades and threading products. Storage products include tool boxes, sawhorses, medical cabinets and engineered storage solution products. The Outdoor business primarily sells corded and cordless electric lawn and garden products, including hedge trimmers, string trimmers, lawn mowers, pressure washers and related accessories, and gas powered lawn and garden products, including lawn tractors, zero turn ride on mowers, walk behind mowers, snow blowers, residential robotic mowers, utility terrain vehicles (UTVs), handheld outdoor power equipment, garden tools, and parts and accessories to professionals and consumers under the DEWALT®, CUB CADET®, BLACK+DECKER®, CRAFTSMAN®, TROY-BILT®, and HUSTLER® brand names.

The Industrial segment is comprised of the Engineered Fastening and Infrastructure businesses. The Engineered Fastening business primarily sells highly engineered components such as fasteners, fittings and various engineered products, which are designed for specific application across multiple verticals. The product lines include externally threaded fasteners, blind rivets and tools, blind inserts and tools, drawn arc weld studs and systems, engineered plastic and mechanical fasteners, self-piercing riveting systems, precision nut running systems, micro fasteners, high-strength structural fasteners, axel swage, latches, heat shields, pins, and couplings. The Infrastructure business consists of the Attachment Tools and Oil & Gas product lines. Attachment Tools sells hydraulic tools and high quality, performance-driven heavy equipment attachment tools for off-highway applications. Oil & Gas sells and rents custom pipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines and provides pipeline inspection services.

The Company utilizes segment profit, which is defined as net sales minus cost of sales and SG&A inclusive of the provision for credit losses (aside from corporate overhead expense), and segment profit as a percentage of net sales to assess the profitability of each segment. Transactions between segments are not material. Segment assets primarily include cash, accounts receivable, inventory, other current assets, property, plant and equipment, right-of-use lease assets and intangible assets. Net sales and long-lived assets are attributed to the geographic regions based on the geographic locations of the end customer and the Company subsidiary, respectively.

BUSINESS SEGMENTS

(Millions of Dollars)	2021	2020	2019
Net Sales			
Tools & Storage	**$ 12,817.4**	$ 10,329.7	$ 10,062.1
Industrial	**2,463.1**	2,352.7	2,434.7
Corporate Overhead & Other	**336.7**	375.3	416.1
Consolidated	**$ 15,617.2**	$ 13,057.7	$ 12,912.9
Segment Profit			
Tools & Storage	**$ 1,985.4**	$ 1,820.3	$ 1,517.0
Industrial	**256.6**	220.6	330.0
Segment Profit	**2,242.0**	2,040.9	1,847.0
Corporate Overhead & Other	**(288.2)**	(264.0)	(181.9)
Other, net	**(190.1)**	(217.8)	(201.1)
(Loss) gain on sales of businesses	**(0.6)**	(13.5)	17.0
Restructuring charges	**(14.5)**	(73.8)	(138.4)
Gain on equity method investment	**68.0**	—	—
Loss on debt extinguishments	**—**	(46.9)	(17.9)
Interest income	**9.8**	17.5	51.9
Interest expense	**(185.4)**	(222.6)	(282.2)
Earnings from continuing operations before income taxes and equity interest	**$ 1,641.0**	$ 1,219.8	$ 1,094.4
Capital and Software Expenditures			
Tools & Storage	**$ 374.8**	$ 228.1	$ 300.8
Industrial	**123.1**	102.1	90.5
Corporate Overhead & Other	**3.3**	2.3	3.3
Discontinued operations	**17.9**	15.6	30.1
Consolidated	**$ 519.1**	$ 348.1	$ 424.7
Depreciation and Amortization			
Tools & Storage	**$ 311.8**	$ 309.5	$ 330.3
Industrial	**201.2**	199.6	159.9
Corporate Overhead & Other	**3.6**	5.1	5.9
Discontinued operations	**60.5**	63.9	64.1
Consolidated	**$ 577.1**	$ 578.1	$ 560.2

Segment Assets	2021	2020
Tools & Storage	**$ 19,537.9**	$ 14,295.6
Industrial	**5,627.8**	5,621.1
	25,165.7	19,916.7
Assets held for sale	**3,183.4**	3,148.1
Corporate & Other assets	**(169.1)**	501.5
Consolidated	**$ 28,180.0**	$ 23,566.3

Corporate Overhead & Other includes the results of the commercial electronic security business in five countries in Europe and emerging markets through its disposition in the fourth quarter of 2020 and the Mechanical Access Solutions business, a non-reportable business operating segment, as well as the corporate overhead element of SG&A, which is not allocated to the business segments.

Corporate Overhead & Other assets primarily consist of cash, equity method investment, deferred taxes, property, plant and equipment and right-of-use lease assets, and include assets directly attributable to the MAS business. The decrease in Corporate Overhead & Other assets at January 1, 2022 compared to January 2, 2021 is due to the decrease in the Company's cash position.

Based on the nature of the Company's cash pooling arrangements, at times corporate-related cash accounts will be in a net liability position.

Lowe's accounted for approximately 15%, 17% and 17% of the Company's consolidated net sales in 2021, 2020 and 2019, respectively, while The Home Depot accounted for approximately 15%, 14% and 12% of the Company's consolidated net sales in 2021, 2020 and 2019, respectively.

As described in *Note A, Significant Accounting Policies*, the Company recognizes revenue at a point in time from the sale of tangible products or over time depending on when the performance obligation is satisfied. For the years ended January 1, 2022, January 2, 2021, and December 28, 2019, the majority of the Company's revenue was recognized at the time of sale. The following table provides the percent of total segment revenue recognized over time for the Industrial segment for the years ended January 1, 2022, January 2, 2021 and December 28, 2019:

	2021	2020	2019
Industrial	**6.6 %**	9.2 %	10.9 %

The following table is a further disaggregation of the Industrial segment revenue for the years ended January 1, 2022, January 2, 2021 and December 28, 2019:

(Millions of Dollars)	2021	2020	2019
Engineered Fastening	**$ 1,842.1**	$ 1,717.8	$ 1,738.5
Infrastructure	**621.0**	634.9	696.2
Industrial	**$ 2,463.1**	$ 2,352.7	$ 2,434.7

GEOGRAPHIC AREAS

(Millions of Dollars)	2021	2020	2019
Net Sales			
United States	**$ 9,363.4**	$ 8,097.1	$ 7,740.6
Canada	**737.3**	610.5	529.0
Other Americas	**835.5**	589.7	709.7
France	**488.8**	393.0	422.0
Other Europe	**2,848.6**	2,289.6	2,358.5
Asia	**1,343.6**	1,077.8	1,153.1
Consolidated	**$ 15,617.2**	$ 13,057.7	$ 12,912.9

	2021	2020
Property, Plant & Equipment, net		
United States	**$ 1,443.8**	$ 1,120.2
Canada	**21.7**	24.3
Other Americas	**178.1**	120.9
France	**36.6**	43.1
Other Europe	**318.9**	324.2
Asia	**348.0**	340.4
Consolidated	**$ 2,347.1**	$ 1,973.1

Q. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities from continuing operations at the end of each fiscal year were as follows:

(Millions of Dollars)	2021	2020
Deferred tax liabilities:		
Depreciation	**$ 132.2**	$ 149.3
Intangible assets	**917.3**	669.6
Liability on undistributed foreign earnings	**48.2**	29.7
Lease right-of-use asset	**106.5**	107.4
Inventory	**79.6**	**26.2**
Other	**48.4**	62.9
Total deferred tax liabilities	**$ 1,332.2**	$ 1,045.1
Deferred tax assets:		
Employee benefit plans	**$ 204.2**	$ 240.0
Basis differences in liabilities	**100.4**	91.4
Operating loss, capital loss and tax credit carryforwards	**830.7**	745.4
Lease liability	**109.7**	110.5
Intangible assets	**417.7**	301.3
Basis difference in debt obligations	**205.1**	21.0
Capitalized research and development costs	**86.0**	52.2
Other	**206.6**	169.6
Total deferred tax assets	**$ 2,160.4**	$ 1,731.4
Net Deferred Tax Asset before Valuation Allowance	**$ 828.2**	$ 686.3
Valuation Allowance	**$ (1,067.2)**	$ (1,001.9)
Net Deferred Tax Liability after Valuation Allowance	**$ (239.0)**	$ (315.6)

The increase in intangible deferred tax assets relates to the intra-entity asset transfer of certain intangible assets between two of the Company's foreign subsidiaries. The recognized deferred tax benefit represents the difference between the basis of the intellectual property for financial statement purposes and the basis of the intellectual property for tax purposes.

A valuation allowance is recorded on certain deferred tax assets if it has been determined it is more likely than not that all or a portion of these assets will not be realized. The Company recorded a valuation allowance of $1,067.2 million and $1,001.9 million on deferred tax assets existing as of January 1, 2022 and January 2, 2021, respectively. The valuation allowances in 2021 and 2020 are primarily attributable to foreign and state net operating loss carryforwards, intangible assets, foreign capital loss carryforwards, and state tax credits.

Beginning in 2022, the Tax Cuts and Jobs Act ("Act") eliminates the option to deduct research and development expenditures and requires taxpayers to amortize domestic expenditures over five years and foreign expenditures over fifteen years. While it is possible that Congress may modify or repeal this provision, the Company has no assurance that these provisions will be modified or repealed. Therefore, based on current assumptions, this would decrease the Company's cash from operations beginning in 2022 and continue over the five year amortization period.

On March 11, 2021, the American Rescue Plan Act of 2021 (the "ARPA") was enacted. The ARPA, among other things, includes provisions to expand the IRC Section 162(m) disallowance for deduction of certain compensation paid by publicly held corporations, provide a 100% COBRA subsidy, temporarily increase the income exclusion for dependent care assistance, and to extend and modify the employee retention credit and the Families First Coronavirus Response Act paid leave credit. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company completed its evaluation of the ARPA and CARES Act, and concluded that they did not have a material impact on the Company's consolidated financial statements.

As of January 1, 2022, the Company has approximately $4.7 billion of unremitted foreign earnings and profits. Of the total amount, the Company has provided for deferred taxes of $48.2 million on approximately $1.5 billion, which is not indefinitely reinvested primarily due to the changes brought about by the Act. The Company otherwise continues to consider the remaining undistributed earnings of its foreign subsidiaries to be permanently reinvested based on its current plans for use outside of the

U.S. and accordingly no taxes have been provided on such earnings. The cash held by the Company's non-U.S. subsidiaries for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes applicable to such earnings are not readily determinable or practicable to calculate.

Net operating loss carryforwards of $3.0 billion as of January 1, 2022 are available to reduce future tax obligations of certain U.S. and foreign companies. The net operating loss carryforwards have various expiration dates beginning in 2022 with certain jurisdictions having indefinite carryforward periods. The foreign capital loss carryforwards of $42.4 million as of January 1, 2022 have indefinite carryforward periods.

U.S. foreign tax credit carryforward balance as of January 1, 2022 totaled $20.6 million with various expiration dates beginning in 2028. U.S. foreign tax credit carryforward of $12.9 million is included in unrecognized tax benefits and subject to an annual limitation, which constitutes a change of ownership as defined under the Internal Revenue Code Section 382. State tax credit carryforward balance as of January 1, 2022 totaled $18.7 million. The carryforward balance is made up of various credit types spanning multiple state taxing jurisdictions and various expiration dates beginning in 2022.

The components of earnings before income taxes from continuing operations consisted of the following:

(Millions of Dollars)	2021	2020	2019
United States	**$ (31.5)**	$ 174.7	$ 184.5
Foreign	**1,672.5**	1,045.1	909.9
Earnings before income taxes and equity interest	**$ 1,641.0**	$ 1,219.8	$ 1,094.4

Income tax expense (benefit) consisted of the following:

(Millions of Dollars)	2021	2020	2019
Current:			
Federal	**$ 7.8**	$ 61.2	$ (32.4)
Foreign	**388.0**	183.2	184.4
State	**32.1**	20.3	5.5
Total current	**$ 427.9**	$ 264.7	$ 157.5
Deferred:			
Federal	**$ (125.9)**	$ (26.2)	$ (4.8)
Foreign	**(210.1)**	(192.1)	(33.0)
State	**(30.5)**	(3.4)	7.1
Total deferred	**(366.5)**	(221.7)	(30.7)
Income taxes	**$ 61.4**	$ 43.0	$ 126.8

Net income taxes paid for continuing operations during 2021, 2020 and 2019 were $441.8 million, $241.6 million and $234.6 million, respectively. The 2021, 2020 and 2019 amounts include refunds of $50.1 million, $43.8 million and $65.3 million, respectively, primarily related to prior year overpayments and settlement of tax audits.

The reconciliation of the U.S. federal statutory income tax provision to Income taxes in the Consolidated Statements of Operations from continuing operations is as follows:

(Millions of Dollars)	2021	2020	2019
Tax at statutory rate	**$ 344.6**	$ 256.2	$ 229.8
State income taxes, net of federal benefits	**1.9**	12.8	19.6
Foreign tax rate differential	**(63.1)**	(58.3)	(56.9)
Uncertain tax benefits	**49.6**	17.7	(68.2)
Change in valuation allowance	**(11.9)**	(12.7)	8.5
Change in deferred tax liabilities on undistributed foreign earnings	**23.1**	(118.8)	—
Stock-based compensation	**(6.3)**	(9.2)	(23.7)
Change in tax rates	**(31.1)**	(0.3)	2.4
Capital loss	**—**	(40.4)	—
U.S. federal tax (benefit) expense on foreign earnings	**(123.9)**	(1.1)	13.7
Intra-entity asset transfer of intellectual property	**(114.2)**	(27.7)	—
Other	**(7.3)**	24.8	1.6
Income taxes	**$ 61.4**	$ 43.0	$ 126.8

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course, the Company is subject to examinations by taxing authorities throughout the world. The Internal Revenue Service is currently examining the Company's consolidated U.S. income tax returns for the 2015 through 2018 tax years. With few exceptions, as of January 1, 2022, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before 2012.

The Company’s liabilities for unrecognized tax benefits relate to U.S. and various foreign jurisdictions. The following table summarizes the activity related to the unrecognized tax benefits from continuing operations:

(Millions of Dollars)	2021	2020	2019
Balance at beginning of year	**$ 428.3**	$ 392.0	$ 390.9
Additions based on tax positions related to current year	**33.6**	27.8	47.2
Additions based on tax positions related to prior years	**53.5**	34.4	79.5
Reductions based on tax positions related to prior years	**(17.2)**	(19.0)	(91.1)
Settlements	**(1.3)**	(0.5)	(0.3)
Statute of limitations expirations	**(9.2)**	(6.4)	(34.2)
Balance at end of year	**$ 487.7**	$ 428.3	$ 392.0

The gross unrecognized tax benefits from continuing operations at January 1, 2022 and January 2, 2021 include $478.4 million and $418.6 million, respectively, of tax benefits that, if recognized, would impact the effective tax rate. The liability for potential penalties and interest related to unrecognized tax benefits from continuing operations increased by $9.6 million in 2021 and decreased by $3.4 million in 2020 and $4.3 million in 2019. The liability for potential penalties and interest totaled $60.0 million as of January 1, 2022, $49.2 million as of January 2, 2021, and $45.8 million as of December 28, 2019. The Company classifies all tax-related interest and penalties as income tax expense.

The Company considers many factors when evaluating and estimating its tax positions and the impact on income tax expense, which may require periodic adjustments, and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next twelve months. However, based on the uncertainties associated with finalizing audits with the relevant tax authorities including formal legal proceedings, it is not possible to reasonably estimate the impact of any such change.

R. COMMITMENTS AND GUARANTEES

COMMITMENTS — The Company has numerous assets, predominantly real estate, vehicles and equipment, under various lease arrangements. At inception of arrangements with vendors, the Company determines whether the contract is or contains a lease based on each party’s rights and obligations under the arrangement. If the lease arrangement also contains non-lease components, the lease and non-lease elements are separately accounted for in accordance with the appropriate accounting

guidance for each item. From time to time, lease arrangements allow for, and the Company executes, the purchase of the underlying leased asset. Lease arrangements may also contain renewal options or early termination options. As part of its lease liability and right-of-use asset calculation, consideration is given to the likelihood of exercising any extension or termination options. Leases with expected durations of less than 12 months from inception (i.e. short-term leases) are excluded from the Company's calculation of lease liabilities and right-of-use assets, as permitted by ASC 842, *Leases*. The following is a summary of the Company's right-of-use-assets and lease liabilities:

(Millions of Dollars)	2021	2020
Right-of-use assets	**$433.3**	$437.7
Lease liabilities	**$446.5**	$449.3
Weighted-average incremental borrowing rate	**3.5%**	3.6%
Weighted-average remaining term	**6 years**	7 years

Right-of-use assets are included within Other assets in the Consolidated Balance Sheets, while lease liabilities are included within Accrued expenses and Other liabilities, as appropriate. The Company determines its incremental borrowing rate based on interest rates from its debt issuances, taking into consideration adjustments for collateral, lease terms and foreign currency.

As a result of acquiring right-of-use assets from new leases entered into during the years ended January 1, 2022 and January 2, 2021, the Company's lease liabilities increased approximately $86.2 million and $91.0 million, respectively. The Company acquired $38.9 million specifically from the acquisition of MTD. As of January 1, 2022 and January 2, 2021, $77.7 million and $85.1 million of right-of-use assets, respectively, were reclassed to assets held-for-sale. As of January 1, 2022 and January 2, 2021, $75.1 million and $85.0 million of lease liabilities, respectively, were reclassed to liabilities held-for-sale.

The Company is a party to leases for one of its major distribution centers and two of its office buildings in which the periodic rental payments vary based on interest rates (i.e. LIBOR). The leases qualify as operating leases for accounting purposes.

The following is a summary of the Company's total lease cost for the years ended January 1, 2022, January 2, 2021, and December 28, 2019:

(Millions of Dollars)	2021	2020	2019
Operating lease cost	**$ 155.9**	$ 155.4	$ 151.6
Short-term lease cost	**25.8**	26.3	26.6
Variable lease cost	**5.9**	7.0	8.5
Sublease income	**(1.7)**	(0.8)	(2.8)
Total lease cost	**$ 185.9**	$ 187.9	$ 183.9

The amounts above are inclusive of lease cost for discontinued operations amounting to $22.9 million in 2021, $25.4 million in 2020, and $36.0 million in 2019.

During 2021, 2020, and 2019, the Company paid approximately $129.4 million, $117.9 million, and $128.2 million respectively, relating to leases included in the measurement of its lease liability and right-of-use asset. Lease payments relating to discontinued operations during 2021, 2020, and 2019 were $29.0 million, $31.9 million, and $26.2 million respectively.

The following is a summary of the Company's future lease obligations on an undiscounted basis at January 1, 2022:

(Millions of Dollars)	Total	2022	2023	2024	2025	2026	Thereafter
Lease obligations	$ 577.2	$ 146.4	$ 109.8	$ 87.9	$ 64.6	$ 55.4	$ 113.1

The amounts above include undiscounted future lease obligations for discontinued operations totaling $80.7 million; $25.4 million in 2022, $19.1 million in 2023, $14.0 million in 2024, $9.5 million in 2025, $6.1 million in 2026, and $6.6 million thereafter.

The following is a summary of the Company's future marketing commitments at January 1, 2022:

(Millions of Dollars)	Total	2022	2023	2024	2025	2026	Thereafter
Marketing commitments	$ 77.0	$ 54.2	$ 15.6	$ 7.2	$ —	$ —	$ —

The amounts above include future marketing commitments for discontinued operations totaling $1.0 million; $0.9 million in 2022 and $0.1 million in 2023.

GUARANTEES — The Company's financial guarantees at January 1, 2022 are as follows:

(Millions of Dollars)	Term	Maximum Potential Payment	Carrying Amount of Liability
Guarantees on the residual values of leased properties	one to five years	**$ 89.6**	**$ —**
Standby letters of credit	Up to three years	**165.7**	**—**
Commercial customer financing arrangements	Up to six years	**69.2**	**8.5**
Total		**$ 324.5**	**$ 8.5**

The Company has guaranteed a portion of the residual values of certain leased assets including the previously discussed leases for one of its major distribution centers and two of its office buildings. The lease guarantees are for an amount up to $89.6 million while the fair value of the underlying assets is estimated at $116.2 million. The related assets would be available to satisfy the guarantee obligations and therefore it is unlikely the Company will incur any future loss associated with these guarantees.

The Company has issued $165.7 million in standby letters of credit that guarantee future payments which may be required under certain insurance programs and in relation to certain environmental remediation activities described more fully in *Note S, Contingencies*.

The Company provides various limited and full recourse guarantees to financial institutions that provide financing to U.S. and Canadian Mac Tool distributors and franchisees for their initial purchase of the inventory and trucks necessary to function as a distributor and franchisee. In addition, the Company provides limited and full recourse guarantees to financial institutions that extend credit to certain end retail customers of its U.S. Mac Tool distributors and franchisees. The gross amount guaranteed in these arrangements is $69.2 million and the $8.5 million carrying value of the guarantees issued is recorded in Other liabilities in the Consolidated Balance Sheets.

The Company provides warranties on certain products across its businesses. The types of product warranties offered generally range from one year to limited lifetime. There are also certain products with no warranty. Further, the Company sometimes incurs discretionary costs to service its products in connection with product performance issues. Historical warranty and service claim experience forms the basis for warranty obligations recognized. Adjustments are recorded to the warranty liability as new information becomes available.

The changes in the carrying amount of product warranties for the years ended January 1, 2022, January 2, 2021, and December 28, 2019:

(Millions of Dollars)	2021	2020	2019
Balance beginning of period	**$ 108.8**	$ 95.2	$ 97.1
Warranties and guarantees issued	**150.8**	127.7	127.2
Warranties assumed in acquisitions	**33.4**	—	—
Warranty payments and currency	**(157.8)**	(114.1)	(129.1)
Balance end of period	**$ 135.2**	$ 108.8	$ 95.2

Product warranties totaling $4.6 million, and $5.0 million were reclassed to held for sale as of January 1, 2022 and January 2, 2021, respectively.

S. CONTINGENCIES

The Company is involved in various legal proceedings relating to environmental issues, employment, product liability, workers' compensation claims and other matters. The Company periodically reviews the status of these proceedings with both inside and outside counsel, as well as an actuary for risk insurance. Management believes that the ultimate disposition of these matters will not have a material adverse effect on operations or financial condition taken as a whole.

In the normal course of business, the Company is a party to administrative proceedings and litigation, before federal and state regulatory agencies, relating to environmental remediation with respect to claims involving the discharge of hazardous substances into the environment, generally at current and former manufacturing facilities. In addition, some of these claims assert that the Company is responsible for damages and liability, for remedial investigation and clean-up costs, with respect to sites that have never been owned or operated by the Company, but the Company has been identified as a potentially responsible party ("PRP").

In connection with the 2010 merger with Black & Decker, the Company assumed certain commitments and contingent liabilities. Black & Decker is a party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment at current and former manufacturing facilities and has also been named as a PRP in certain administrative proceedings.

The Company, along with many other companies, has been named as a PRP in numerous administrative proceedings for the remediation of various waste sites, including 28 active Superfund sites. Current laws potentially impose joint and several liabilities upon each PRP. In assessing its potential liability at these sites, the Company has considered the following: whether responsibility is being disputed, the terms of existing agreements, experience at similar sites, and the Company's volumetric contribution at these sites.

The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of January 1, 2022 and January 2, 2021, the Company had reserves of $159.1 million and $174.2 million, respectively, for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable. Of the 2021 amount, $46.1 million is classified as current and $113.0 million as long-term which is expected to be paid over the estimated remediation period. As of January 1, 2022, the range of environmental remediation costs that is reasonably possible is $93.7 million to $229.3 million which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with the Company's policy.

As of January 1, 2022, the Company has recorded $16.1 million in other assets related to funding received by the Environmental Protection Agency ("EPA") and placed in a trust in accordance with the final settlement with the EPA, embodied in a Consent Decree approved by the United States District Court for the Central District of California on July 3, 2013. Per the Consent Decree, Emhart Industries, Inc. (a dissolved and liquidated former indirectly wholly-owned subsidiary of The Black & Decker Corporation) ("Emhart") has agreed to be responsible for an interim remedy at a site located in Rialto, California and formerly operated by West Coast Loading Corporation ("WCLC"), a defunct company for which Emhart was alleged to be liable as a successor. The remedy will be funded by (i) the amounts received from the EPA as gathered from multiple parties, and, to the extent necessary, (ii) Emhart's affiliate. The interim remedy requires the construction of a water treatment facility and the filtering of ground water at or around the site for a period of approximately 30 years or more. As of January 1, 2022, the Company's net cash obligation associated with remediation activities, including WCLC assets, is $143.0 million.

The EPA also asserted claims in federal court in Rhode Island against Black & Decker and Emhart related to environmental contamination found at the Centredale Manor Restoration Project Superfund Site ("Centredale"), located in North Providence, Rhode Island. The EPA discovered a variety of contaminants at the site, including but not limited to, dioxins, polychlorinated biphenyls, and pesticides. The EPA alleged that Black & Decker and Emhart are liable for site clean-up costs under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") as successors to the liability of Metro-Atlantic, Inc., a former operator at the site, and demanded reimbursement of the EPA's costs related to this site. Black & Decker and Emhart then vigorously litigated the issue of their liability for environmental conditions at the Centredale site, including completing trial on Phase 1 of the proceedings in late July 2015 and completing trial on Phase 2 of the proceedings in April 2017. On July 9, 2018, a Consent Decree was lodged with the United States District Court documenting the terms of a settlement between the Company and the United States for reimbursement of EPA's past costs and remediation of environmental contamination found at the Centredale site. The terms of the Consent Decree were subject to public comment and Court approval. After a full hearing on March 19, 2019, the Court approved and entered the Consent Decree on April 8, 2019. The settlement resolves outstanding issues relating to Phase 1 and 2 of the litigation with the United States. The Company is complying with the terms of the settlement. The District Court's entry of the Consent Decree was appealed by several PRPs at the site to the United States Court of Appeals for the First Circuit. The District Court's actions were affirmed by the First Circuit

on February 17, 2021. Phase 3 of the litigation, is addressing the potential allocation of liability to other PRPs who may have contributed to contamination of the Centredale site with dioxins, polychlorinated biphenyls and other contaminants of concern. As of January 1, 2022, the Company has a remaining reserve of $57.2 million for this site.

The Company and approximately 47 other companies comprise the Lower Passaic Cooperating Parties Group (the “CPG”). The CPG members and other companies are parties to a May 2007 Administrative Settlement Agreement and Order on Consent (“AOC”) with the EPA to perform a remedial investigation/feasibility study (“RI/FS”) of the lower seventeen miles of the Lower Passaic River in New Jersey (the “River”). The Company’s potential liability stems from former operations in Newark, New Jersey. As an interim step related to the 2007 AOC, on June 18, 2012, the CPG members voluntarily entered into an AOC with the EPA for remediation actions focused solely at mile 10.9 of the River. The Company’s estimated costs related to the RI/FS and focused remediation action at mile 10.9, based on an interim allocation, are included in its environmental reserves. On April 11, 2014, the EPA issued a Focused Feasibility Study (“FFS”) and proposed plan which addressed various early action remediation alternatives for the lower 8.3 miles of the River. The EPA received public comment on the FFS and proposed plan (including comments from the CPG and other entities asserting that the FFS and proposed plan do not comply with CERCLA) which public comment period ended on August 20, 2014. The CPG submitted to the EPA a draft RI report in February 2015 and draft FS report in April 2015 for the entire lower seventeen miles of the River. On March 4, 2016, the EPA issued a Record of Decision ("ROD") selecting the remedy for the lower 8.3 miles of the River. The cleanup plan adopted by the EPA is now considered a final action for the lower 8.3 miles of the River and will include the removal of 3.5 million cubic yards of sediment, placement of a cap over the entire lower 8.3 miles of the River, and, according to the EPA, will cost approximately $1.4 billion and take 6 years to implement after the remedial design is completed. The Company and 105 other parties received a letter dated March 31, 2016 from the EPA notifying such parties of potential liability for the costs of the cleanup of the lower 8.3 miles of the River and a letter dated March 30, 2017 stating that the EPA had offered 20 of the parties (not including the Company) an early cash out settlement. In a letter dated May 17, 2017, the EPA stated that these 20 parties did not discharge any of the eight hazardous substances identified as the contaminants of concern in the lower 8.3 mile ROD. In the March 30, 2017 letter, the EPA stated that other parties who did not discharge dioxins, furans or polychlorinated biphenyls (which are considered the contaminants of concern posing the greatest risk to human health or the environment) may also be eligible for cash out settlement, but expects those parties' allocation to be determined through a complex settlement analysis using a third-party allocator. The EPA subsequently clarified this statement to say that such parties would be eligible to be "funding parties" for the lower 8.3 mile remedial action with each party's share of the costs determined by the EPA based on the allocation process and the remaining parties would be "work parties" for the remedial action. The Company asserts that it did not discharge dioxins, furans or polychlorinated biphenyls and should be eligible to be a "funding party" for the lower 8.3 mile remedial action. The Company participated in the allocation process. The allocator selected by the EPA issued a confidential allocation report on December 28, 2020, which was reviewed by the EPA. As a result of the allocation process, on February 11, 2022, the EPA and certain parties (including the Company) reached an agreement in principle, subject to the negotiation and court entry of a consent decree, concerning a cash-out settlement for remediation of the entire 17-mile Lower Passaic River. On September 30, 2016, Occidental Chemical Corporation ("OCC") entered into an agreement with the EPA to perform the remedial design for the cleanup plan for the lower 8.3 miles of the River. The remedial design is expected to be substantially completed in the fourth quarter of 2022. On June 30, 2018, OCC filed a complaint in the United States District Court for the District of New Jersey against over 100 companies, including the Company, seeking CERCLA cost recovery or contribution for past costs relating to various investigations and cleanups OCC has conducted or is conducting in connection with the River. According to the complaint, OCC has incurred or is incurring costs which include the estimated cost ($165 million) to complete the remedial design for the cleanup plan for the lower 8.3 miles of the River. OCC also seeks a declaratory judgment to hold the defendants liable for their proper shares of future response costs for OCC's ongoing activities in connection with the River. The Company and other defendants have answered the complaint and currently are engaged in discovery with OCC. On February 24, 2021, the Company and other defendants filed a third party complaint against the Passaic Valley Sewerage Commissioners and forty-two municipalities to require those entities to pay their equitable share of response costs. On October 10, 2018, the EPA issued a letter directing the CPG to prepare a streamlined feasibility study for the upper 9 miles of the River based on an iterative approach using adaptive management strategies. The CPG submitted a revised draft Interim Remedy Feasibility Study to the EPA on December 4, 2020, which identifies various targeted dredge and cap alternatives with costs that range from $420 million to $468 million (net present value). The EPA approved the Interim Remedy Feasibility Study on December 11, 2020. The EPA issued the Interim Remedy Proposed Plan on April 14, 2021, selecting an alternative that the EPA estimates will cost $441 million (net present value). The CPG continues to conduct work to complete the RI/FS for the entire 17-mile River. The EPA issued the Interim Remedy ROD on September 28, 2021. At this time, the Company cannot reasonably estimate its liability related to the litigation and remediation efforts, excluding the RI/FS and remediation actions at mile 10.9, as the OCC litigation is pending, the EPA settlement process is ongoing and the parties that will participate in funding the remediation and their respective allocations are not yet known.

Per the terms of a Final Order and Judgment approved by the United States District Court for the Middle District of Florida on January 22, 1991, Emhart is responsible for a percentage of remedial costs arising out of the Kerr McGee Chemical Corporation Superfund Site located in Jacksonville, Florida. On March 15, 2017, the Company received formal notification from the EPA that the EPA had issued a ROD selecting the preferred alternative identified in the Proposed Cleanup Plan. As of January 1, 2022, the Company has reserved $22.2 million for this site.

The environmental liability for certain sites that have cash payments beyond the current year that are fixed or reliably determinable have been discounted using a rate of 0.1% to 2.0%, depending on the expected timing of disbursements. The discounted and undiscounted amount of the liability relative to these sites is $40.9 million and $44.7 million, respectively. The payments relative to these sites are expected to be $2.7 million in 2022, $3.1 million in 2023, $3.1 million in 2024, $2.8 million in 2025, $2.9 million in 2026, and $30.1 million thereafter.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity.

T. DIVESTITURES

PENDING DIVESTITURE

Commercial Electronic Security and Healthcare businesses

In December 2021, the Company announced that it had reached a definitive agreement for the sale of most of its Security assets to Securitas AB ("Purchaser") for approximately $3.2 billion in cash. The proposed transaction includes the Company's Convergent Security Solutions ("CSS") business comprising of commercial electronic security and healthcare businesses. The transaction does not include the Company's automatic doors business. The sale is subject to regulatory approvals and other customary closing conditions, and is expected to close in the first half of 2022.

As part of the purchase and sale agreement, the Company will perform transition services relating to certain administrative functions for Purchaser primarily for a period of one year or less, pending Purchaser's integration of these functions into their pre-existing business processes. A portion of the $3.2 billion received at closing reimburses the Company for transition service costs expected to be incurred.

In December 2021, upon announcing it reached a definitive agreement for the sale of most of its Security assets, the assets and liabilities related to CSS were classified as held for sale on the Company's Consolidated Balance Sheets as of January 1, 2022 and January 2, 2021. In addition, the sale of CSS represents a strategic shift and has a major effect on the Company's operations and financial results. As such, the operating results of the CSS are reported as discontinued operations, in accordance with ASC 205. Amounts previously reported have been reclassified to conform to this presentation to allow for meaningful comparison of continuing operations.

Summarized operating results of discontinued operations are presented in the following table for each fiscal year ended:

(Millions of Dollars)	2021	2020	2019
Net Sales	**$ 1,635.5**	$ 1,476.9	$ 1,529.3
Cost of sales	**1,024.8**	914.3	957.2
Selling, general, and administrative[(1)]	**481.8**	461.1	472.7
Other, net and restructuring charges	**58.7**	54.3	63.8
Earnings from discontinued operations before income taxes	**$ 70.2**	$ 47.2	$ 35.6
Income taxes on discontinued operations	**(18.7)**	(1.6)	34.0
Net earnings from discontinued operations	**$ 88.9**	$ 48.8	$ 1.6

[(1)] Includes provision for credit losses.

The following table presents the significant non-cash items and capital expenditures for the discontinued operations with respect to CSS that are included in the Consolidated Statements of Cash Flows (in millions) for each fiscal year ended:

(Millions of Dollars)	2021	2020	2019
Depreciation and amortization	**$ 60.5**	$ 63.9	$ 64.1
Capital expenditures	**$ 17.9**	$ 15.6	$ 30.1
Stock-based compensation	**$ 6.0**	$ 5.3	$ 3.2

The carrying amounts of the assets and liabilities that were aggregated in assets held for sale and liabilities held for sale as of January 1, 2022 and January 2, 2021 are presented in the following table:

(Millions of Dollars)	2021	2020
Cash and cash equivalents	**$ 144.9**	$ 139.1
Accounts and notes receivable, net	**434.8**	347.7
Inventories, net	**142.5**	98.5
Other current assets	**41.0**	44.0
Property, plant and equipment, net	**74.0**	80.7
Goodwill and other intangibles, net	**2,072.3**	2,169.3
Other assets	**273.9**	268.8
Total assets	**$ 3,183.4**	$ 3,148.1
Accounts payable and accrued expenses	**$ 388.3**	$ 390.6
Other long-term liabilities	**130.4**	162.9
Total liabilities	**$ 518.7**	$ 553.5

2020 DIVESTITURES

On November 2, 2020, the Company sold its commercial electronic security businesses in five countries in Europe and emerging markets within the Security segment, which resulted in net proceeds of $60.9 million. The Company also sold a product line within Oil & Gas in the Industrial segment during the fourth quarter of 2020. As a result of these sales, the Company recognized a net pre-tax loss of $13.5 million in 2020, consisting of a $17.7 million loss on the sale of a product line within Oil & Gas partially offset by a $4.2 million gain on the sale of the commercial electronic security businesses. During the first quarter of 2021, the Company recognized a pre-tax loss of $1.0 million as a result of the finalization of the purchase price for the commercial electronic security divestiture.

These divestitures allow the Company to invest in other areas of the Company that fit into its long-term growth strategy. These disposals do not qualify as discontinued operations and are included in the Company's Consolidated Statements of Operations for all periods presented through their respective dates of sale in 2020. Pre-tax income for these businesses totaled $4.1 million and $3.0 million for the years ended January 2, 2021, and December 28, 2019, respectively.

2019 DIVESTITURE

On May 30, 2019, the Company sold its Sargent & Greenleaf mechanical locks business within the Security segment, which resulted in net proceeds of $79.0 million and a pre-tax gain of $17.0 million. This divestiture did not qualify as a discontinued operation and is included in the Company's Consolidated Statements of Operations through the date of sale in 2019. Pre-tax income for this business was $4.6 million for the year ended December 28, 2019.

Unaudited Financial Statements

These financial statements are prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
THREE MONTHS ENDED APRIL 2, 2022 AND APRIL 3, 2021
(Unaudited, Millions of Dollars, Except Per Share Amounts)

	Year-to-Date	
	2022	**2021**
Net Sales	**$ 4,448.0**	$ 3,720.8
Costs and Expenses		
Cost of sales	**$ 3,142.6**	$ 2,333.0
Selling, general and administrative	**949.2**	716.9
Provision for credit losses	**11.1**	2.2
Other, net	**62.0**	48.0
Loss on sale of business	**—**	1.0
Restructuring charges	**52.7**	1.8
Interest income	**(2.8)**	(2.9)
Interest expense	**54.7**	47.5
	$ 4,269.5	$ 3,147.5
Earnings from continuing operations before income taxes and equity interest	**178.5**	573.3
Income taxes on continuing operations	**22.9**	115.5
Net earnings from continuing operations before equity interest	**155.6**	457.8
Share of net earnings of equity method investment	**—**	1.8
Net earnings from continuing operations	**155.6**	459.6
Less: Net earnings (losses) attributable to non-controlling interests	**0.1**	(0.6)
Net earnings from continuing operations attributable to Stanley Black & Decker, Inc.	**$ 155.5**	$ 460.2
Less: Preferred stock dividends and beneficial conversion feature	**—**	9.4
Net Earnings from Continuing Operations Attributable to Common Shareowners	**$ 155.5**	$ 450.8
Add: Contract adjustment payments accretion	**0.3**	0.2
Net Earnings from Continuing Operations Attributable to Common Shareowners - Diluted	**$ 155.8**	$ 451.0
Earnings from discontinued operations before income taxes	**22.2**	31.1
Income taxes on discontinued operations	**2.4**	3.9
Net earnings from discontinued operations	**$ 19.8**	$ 27.2
Net Earnings Attributable to Common Shareowners - Diluted	**$ 175.6**	$ 478.2
Net Earnings Attributable to Stanley Black & Decker, Inc.	**$ 175.3**	$ 487.4
Total Comprehensive Income Attributable to Common Shareowners	**$ 147.6**	$ 380.3
Basic earnings per share of common stock:		
Continuing operations	**$ 1.00**	$ 2.86
Discontinued operations	**$ 0.13**	$ 0.17
Total basic earnings per share of common stock	**$ 1.13**	$ 3.04
Diluted earnings per share of common stock:		
Continuing operations	**$ 0.94**	$ 2.74
Discontinued operations	**$ 0.12**	$ 0.17
Total diluted earnings per share of common stock	**$ 1.06**	$ 2.91

See Notes to Unaudited Condensed Consolidated Financial Statements.

STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
APRIL 2, 2022 AND JANUARY 1, 2022
(Unaudited, Millions of Dollars, Except Per Share Amounts)

	April 2, 2022	January 1, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 165.8**	$ 142.1
Accounts and notes receivable, net	**1,842.0**	1,481.7
Inventories, net	**6,267.7**	5,419.9
Current assets held for sale	**864.0**	869.6
Prepaid expenses	**495.3**	507.0
Other current assets	**101.4**	106.1
Total Current Assets	**9,736.2**	8,526.4
Property, plant and equipment, net	**2,365.6**	2,336.8
Goodwill	**8,597.0**	8,590.7
Customer Relationships, net	**1,955.2**	2,000.0
Trade Names, net	**2,672.3**	2,681.8
Other intangible Assets, net	**12.8**	13.2
Long-term assets held for sale	**2,628.5**	2,635.8
Other assets	**1,391.1**	1,395.3
Total Assets	**$ 29,358.7**	$ 28,180.0
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities		
Short-term borrowings	**$ 5,086.4**	$ 2,241.1
Current maturities of long-term debt	**1.2**	1.3
Accounts payable	**3,367.7**	3,423.6
Accrued expenses	**2,036.2**	2,641.0
Liabilities held for sale	**463.5**	460.4
Total Current Liabilities	**10,955.0**	8,767.4
Long-term debt	**5,355.5**	4,353.6
Deferred taxes	**662.8**	711.2
Post-retirement benefits	**454.9**	474.1
Long-term liabilities held for sale	**129.1**	137.4
Other liabilities	**2,446.6**	2,143.9
Commitments and Contingencies (*Notes R and S*)		
Shareowners' Equity		
Stanley Black & Decker, Inc. Shareowners' Equity		
Preferred stock, without par value: Authorized 10,000,000 shares in 2022 and 2021 Issued and outstanding 750,000 shares in 2022 and 2021	**620.3**	620.3
Common stock, par value $2.50 per share: Authorized 300,000,000 shares in 2022 and 2021 Issued 176,902,738 shares in 2022 and 2021	**442.3**	442.3
Retained earnings	**8,801.4**	8,742.4
Additional paid in capital	**4,705.5**	4,999.2
Accumulated other comprehensive loss	**(1,873.3)**	(1,845.6)
	12,696.2	12,958.6
Less: cost of common stock in treasury (25,964,890 shares in 2022 and 13,573,962 shares in 2021)	**(3,343.4)**	(1,368.1)
Stanley Black & Decker, Inc. Shareowners' Equity	**9,352.8**	11,590.5
Non-controlling interests	**2.0**	1.9
Total Shareowners' Equity	**9,354.8**	11,592.4
Total Liabilities and Shareowners' Equity	**$ 29,358.7**	$ 28,180.0

See Notes to Unaudited Condensed Consolidated Financial Statements.

STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED APRIL 2, 2022 AND APRIL 3, 2021
(Unaudited, Millions of Dollars)

	Year-to-Date	
	2022	**2021**
OPERATING ACTIVITIES		
Net earnings from continuing operations	**$ 155.6**	$ 459.6
Net earnings from discontinued operations	**19.8**	27.2
Adjustments to reconcile net earnings to cash used in operating activities:		
Depreciation and amortization of property, plant and equipment	**92.0**	93.5
Amortization of intangibles	**51.7**	50.5
Loss on sale of business	**—**	1.0
Share of net earnings of equity method investment	**—**	(1.8)
Changes in working capital	**(1,336.1)**	(720.4)
Changes in other assets and liabilities	**(224.1)**	(67.4)
Cash used in operating activities	**(1,241.1)**	(157.8)
INVESTING ACTIVITIES		
Capital and software expenditures	**(139.8)**	(88.3)
Proceeds from sales of assets	**9.0**	1.3
Business acquisitions, net of cash acquired	**(36.5)**	(0.2)
Purchases of investments	**(0.1)**	(7.0)
Net investment hedge settlements	**4.7**	(52.6)
Other	**(0.7)**	(1.1)
Cash used in investing activities	**(163.4)**	(147.9)
FINANCING ACTIVITIES		
Proceeds from debt issuances, net of fees	**994.8**	—
Stock purchase contract fees	**(9.8)**	(9.8)
Net short-term borrowings (repayments)	**2,844.8**	(0.7)
Proceeds from issuances of common stock	**13.7**	64.1
Purchases of common stock for treasury	**(2,313.0)**	(14.9)
Craftsman contingent consideration	**(9.8)**	(7.0)
Termination of interest rate swaps	**22.7**	—
Cash dividends on common stock	**(116.3)**	(110.1)
Cash dividends on preferred stock	**—**	(9.4)
Other	**(1.7)**	(7.2)
Cash provided by (used in) financing activities	**1,425.4**	(95.0)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**4.8**	(38.9)
Change in cash, cash equivalents and restricted cash	**25.7**	(439.6)
Cash, cash equivalents and restricted cash, beginning of period	**294.8**	1,398.3
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	**$ 320.5**	$ 958.7

STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY
THREE MONTHS ENDED APRIL 2, 2022 AND APRIL 3, 2021
(Unaudited, Millions of Dollars, Except Share and Per Share Amounts)

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interests	Shareowners' Equity
Balance January 1, 2022	**$ 620.3**	**$ 442.3**	**$ 4,999.2**	**$ 8,742.4**	**$ (1,845.6)**	**$ (1,368.1)**	**$ 1.9**	**$ 11,592.4**
Net earnings	—	—	—	175.3	—	—	0.1	175.4
Other comprehensive loss	—	—	—	—	(27.7)	—	—	(27.7)
Cash dividends declared — $0.79 per common share	—	—	—	(116.3)	—	—	—	(116.3)
Issuance of common stock (338,897 shares)	—	—	(24.0)	—	—	37.7	—	13.7
Repurchase of common stock (12,729,825 shares)	—	—	(300.0)	—	—	(2,013.0)	—	(2,313.0)
Stock-based compensation related	—	—	30.3	—	—	—	—	30.3
Balance April 2, 2022	**$ 620.3**	**$ 442.3**	**$ 4,705.5**	**$ 8,801.4**	**$ (1,873.3)**	**$ (3,343.4)**	**$ 2.0**	**$ 9,354.8**

	Preferred Stock	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interests	Shareowners' Equity
Balance January 2, 2021	**$ 1,370.3**	**$ 442.3**	**$ 4,967.8**	**$ 7,542.2**	**$ (1,713.7)**	**$ (1,549.3)**	**$ 6.8**	**$ 11,066.4**
Net earnings (loss)	—	—	—	487.4	—	—	(0.6)	486.8
Other comprehensive loss	—	—	—	—	(97.7)	—	—	(97.7)
Cash dividends declared — $0.70 per share	—	—	—	(110.1)	—	—	—	(110.1)
Cash dividends declared - $50.00 per annum per preferred share	—	—	—	(9.4)	—	—	—	(9.4)
Issuance of common stock (848,275 shares)	—	—	(12.7)	—	—	76.8	—	64.1
Repurchase of common stock (80,310 shares)	—	—	—	—	—	(14.9)	—	(14.9)
Non-controlling interest buyout	—	—	(2.8)	—	—	—	(3.2)	(6.0)
Stock-based compensation related	—	—	25.6	—	—	—	—	25.6
Balance April 3, 2021	**$ 1,370.3**	**$ 442.3**	**$ 4,977.9**	**$ 7,910.1**	**$ (1,811.4)**	**$ (1,487.4)**	**$ 3.0**	**$ 11,404.8**

See Notes to Unaudited Condensed Consolidated Financial Statements.

GUARANTEE OF PERFORMANCE

For value received, Stanley Black & Decker, Inc., a Connecticut corporation (the "Guarantor"), located at 1000 Stanley Drive, New Britain, Connecticut 06053, absolutely and unconditionally guarantees to assume the duties and obligations of Stanley Convergent Security Solutions, Inc., located at 8350 Sunlight Drive, Fishers, Indiana 46037 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Sonitrol Franchise Agreement identified in its May 6, 2022 Franchise Disclosure Document, as it may be amended, and as that Sonitrol Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at New Britain, Connecticut on the 5th day of May, 2022.

STANLEY BLACK & DECKER, INC.

By:

Robert T. Paternostro, Treasurer and Vice President

SONITROL FRANCHISE AGREEMENT
(Sonitrol Renewing Type A Franchise – Existing Franchisees)

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SONITROL FRANCHISE AGREEMENT
(Sonitrol Franchise - Existing Franchisees)

This Sonitrol Franchise Agreement (this "Agreement") is effective this _____ day of _____, _____ by and between Stanley Convergent Security Solutions, Inc., a Delaware corporation (successor by merger to Sonitrol Franchise Company, L.L.C.), having its principal business offices located at 8350 Sunlight Drive, Fishers, Indiana 46037 (referred to herein as "Sonitrol") and _____, _____ [entity type and state of formation], having its principal business offices located at _____ (referred to herein as "Franchisee").

Background

A. Sonitrol has developed a unique system for the promotion, sale and delivery of Sonitrol Products and Services (collectively referred to as the "Sonitrol System"), which is implemented through a network of company-affiliated operators and independent franchised dealers (collectively referred to as the "Sonitrol Franchise System"); and

B. Franchisee desires to operate a Sonitrol Franchise pursuant to the terms set forth in this Agreement.

Agreement

Now, therefore, for good and valuable consideration the receipt and adequacy of which is acknowledged, and intending to be legally bound, Franchisee and Sonitrol agree as follows:

Definitions

Whenever any of the following terms are capitalized within this Agreement, they will have the meanings set forth immediately below.

"Affiliate" means a person or legal entity under common ownership or Control with the respective person or entity referenced in the provision where this term is used.

"Approved National Advertising" is advertising or promotion which Sonitrol approves for release on a regional or system-wide basis, in accordance with the advertising and promotion requirements set forth in the Sonitrol Franchise Standards Manual. Sonitrol will not produce or allow advertising materials to contain price points or discounts for Sonitrol Products and Services in Franchisees' Exclusive Territory unless all of the following are applicable: (1) the subject of the advertising (including internet advertising) is Sonitrol's National Accounts program as described in the Sonitrol Franchise Standards Manual; (2) the advertising is conducted through the Internet or other electronic media (including, without limitation, text messaging) and is not directed specifically at the Exclusive Territory; and (3) the price point or discounts are consistent with the minimum compensation requirements set forth in Section 10.16.

"Approved Vendor" is a manufacturer, supplier or servicer of Proprietary Products or Controlled Products, which meets the standards for approved status as set forth in this Agreement and, as applicable, the Sonitrol Franchise Standards Manual.

"Authorized Location" or **"Authorized Facility"** is a physical office or operating facility from which Franchisee conducts its Sonitrol Business, which complies with the reasonable requirements set forth in the Sonitrol Franchise Standards Manual, and which may or may not include a Central Monitoring Station.

"Central Monitoring Station" means the configured and integrated Proprietary Products, Controlled Products and other software and components that are not proprietary to Sonitrol, but are necessary for the proper functioning of such products together to perform the continuous monitoring of the Sonitrol

Products and Services. The software and components which may be integrated into the Central Monitoring Station are determined in accordance with the reasonable standards and procedures set forth in the Sonitrol Franchise Standards Manual.

"Competitive" means (a) a security alarm business or platform which is solely or primarily based upon the use of impact-activated audio detection devices and/or technology (including the centralized monitoring of such devices), or (b) managed access control utilizing the Sonitrol Marks and which is integrated into, or connected with, a Proprietary Product.

"Complementary Products and Services" are those products and services which are: (1) related to the security industry, access control (managed or otherwise), fire alarm, video (CCTV) and/or alarm systems and that do not involve the use of any Proprietary Products, other than those contained in the Central Monitoring Station; (2) not Competitive with the Sonitrol System; (3) not materially detrimental or harmful to the Sonitrol System, as Sonitrol may determine in accordance with applicable provisions of Section 4.04 of this Agreement; and (4) approved for sale by Sonitrol as per the terms and conditions set forth in Section 4.04 of this Agreement. Sonitrol may establish and revise the list of Complementary Products and Services from time to time in accordance with this Agreement. The current recognized lines of Complementary Products and Services are listed in Exhibit "E" attached hereto.

"Confidential Information" is information provided to Franchisee by Sonitrol, its Affiliates, or the manufacturers/suppliers of Proprietary Products, which relates to the Sonitrol System or the Sonitrol Products and Services, and is not generally available to the public or within the security industry except as a result of a violation of a duty to maintain the confidentiality of such information, including but not limited to, the Sonitrol Franchise Standards Manual and Sonitrol's Graphics Standards Manual and other manuals, bulletins, policies or procedures Sonitrol may publish from time to time; current, future or proposed products; training regarding the Sonitrol Products and Services; cost and pricing information regarding the Sonitrol Products and Services or Controlled Products; the processes, services, policies, procedures, records and identity of Subscriber Accounts owned by Sonitrol; plans, technologies, software, installation and operating techniques relating to Sonitrol Products and Services; and plans and information relating to the marketing and sale of Sonitrol Products and Services.

"Control" or **"Controlling Interest"** means the ownership (legal or beneficial) of more than 50% of the equity or beneficial interests in any legal entity or the right to vote (whether by direct ownership, contract or other agreement) of more than 50% of the voting interests in any legal entity.

"Controlled Products" are those products which Sonitrol does not manufacture or to which Sonitrol does not own proprietary rights, but which are an integral part of, and have specific performance requirements or protocols which are necessary for the proper functioning of, the Sonitrol Products and Services, and which, from time to time, Sonitrol specifies for Franchisee's use by manufacturer and part number. Sonitrol may establish and revise the list of Controlled Products from time to time in accordance with the Sonitrol Franchise Standards Manual. A current list of Controlled Products is attached as Exhibit "J" hereto.

"Cure Period(s)" are the respective time frames set forth in Section 16.02 of this Agreement by which an Event of Default must be remedied.

"DAC" is the Dealer Advisory Council described in Article XIX of this Agreement.

"Dealer Information" means the confidential and proprietary information concerning Franchisee and/or Franchisee's Sonitrol Business which Franchisee may be required to provide Sonitrol (or may provide on a voluntary basis) pursuant to this Agreement and the policies set forth in the Sonitrol Franchise Standards Manual and which is not generally available to the public or within the security industry except as a result of a violation of a duty to Franchisee to maintain the confidentiality of such information. Such information includes, but is not limited to, financial information, tax returns, customer lists and customer information (including records and identities of Subscriber Accounts owned by Franchisee, except with respect to National Account Customers).

"Default Notice" is the written notice that Sonitrol delivers to Franchisee informing Franchisee that an Event of Default has occurred.

"Effective Date" is the first day of the calendar month immediately after the occurrence of each of the following: (i) this Agreement has been fully executed by both Franchisee and Sonitrol; (ii) not less than 50% of the aggregate number of current Sonitrol Franchisees representing at least 85% of the aggregate 2009 royalty revenues generated by all Sonitrol Franchisees have each executed and delivered to Sonitrol agreements in a form substantially similar to this Agreement; and (iii) not less than ten (10) out of the fifteen (15) largest Sonitrol Franchisees in the Sonitrol System as determined by 2009 Gross Revenues, have each executed and delivered to Sonitrol agreements in form substantially similar to this Agreement.

"Event of Default" means the occurrence of an event that would constitute a breach of Franchisee's obligations under this Agreement as specified in Section 16.01 of this Agreement.

"Exclusive Territory" means the geographic area within which Franchisee has been granted the exclusive right to operate a Sonitrol Business pursuant to the terms of this Agreement. Franchisee's Exclusive Territory is described in more detail in Exhibit "A" to this Agreement.

"Existing Equityholder" means any person or entity having an ownership interest (*i.e.* voting rights or rights to distributions of profits or to assets in liquidation) in Franchisee as of the date of this Agreement and about whom Franchisee previously notified Sonitrol in writing and to whose ownership Sonitrol has consented in writing. A list of the current Existing Equityholders is set forth in Exhibit "G" hereto.

"Existing Franchise Agreement" shall have the meaning set forth in Section 22.11 of this Agreement.

"Existing Franchisee" means a Sonitrol Franchisee which operates a Sonitrol Business pursuant to a franchise agreement executed and in effect prior to the Effective Date, and which has elected to terminate that agreement and continue to operate its Sonitrol Business under a written agreement substantially similar in form to this Agreement.

"Fund" means the advertising fund which may be established as provided in Section 8.02 of this Agreement.

"Franchisee Control Group" means two or more legal entities owned by Affiliates which are parties to Franchise Agreements with Sonitrol (whether a two party agreement or a three party agreement).

"**GSA Products and Services**" means those certain products and services made available for sale by Sonitrol GSA authorized dealers to government customers, as more fully set forth in Sonitrol's then current GSA Authorized Dealer Program.

"Gross Revenues" means all revenues from any source that Franchisee accrues or otherwise is required to recognize as income (under generally accepted accounting principles applicable in the United States) which is derived from or in connection with the operation of its Sonitrol Business, whether in cash, in services, in kind, from barter and/or exchange (valued at the full retail value of the goods or services received), on credit, or otherwise. However, Gross Revenues does not include: (1) documented refunds, credits and/or allowances that Franchisee gives in good faith to Subscriber Accounts, and all sales, use, gross receipts or similar taxes on Franchisee's revenues or receipts (excluding income taxes) that Franchisee is legally required to collect from a third party and pay to the appropriate taxing authority; (2) revenues derived directly from any Permitted Dealer-to-Dealer Transaction; (3) bad debt/uncollectible charges, sales allowances, coupons and discounts given to customers or employees, to the extent the full retail price was credited to sales revenues and the amount of the discount, charge or allowance was then charged as an expense; and (4) revenues derived from Complementary Products if Franchisee has elected to opt out under Section 4.04.

"Immediate Family Member" is a spouse, child, sibling or parent of an Existing Equityholder.

"Key Employee" is someone employed in the Sonitrol Business for at least five (5) years in a management position. "Management position" means a position held by a person who regularly exercises discretion over, and has the authority to legally bind, Franchisee, (including the officers, the directors, a Manager, or the director of operations).

"Manager" shall have the meaning set forth in Section 10.07 of this Agreement.

"Monitoring Agreement" is the agreement between Franchisee and Sonitrol (or another approved Sonitrol Franchisee) to provide Central Monitoring Station services to Subscriber Accounts. Sonitrol's current standard form of Monitoring Agreement is set forth in the Sonitrol Franchise Standards Manual.

"MPRs" are Franchisee's annual performance obligations as set forth in Section 6.04 of this Agreement.

"**National Account Contract**" is a contract predominantly for the provision of Sonitrol Products and Services. To the extent that a National Account Contract specifies Complementary Products and Services for which Franchisee is otherwise qualified to sell and service and Franchisee has not Opted Out under Section 4.04, Sonitrol will offer for sale such products to Franchisee if not otherwise available through normal distribution channels.

"National Account Customer" is any organization (including non-profit, public and private businesses or governmental agencies) which is a party to a National Account Contract prior to the Effective Date or meets all of the following criteria:

(1) Has centralized management of its security services;

(2) Fifty percent (50%) or more of its business locations are not, prior to the time of designation as a National Account Customer, currently served by Sonitrol Franchisees; and

(3) Has either:

(a) at least twenty-five (25) locations spanning three or more franchise territories owned by three or more Franchisee Control Groups or Sonitrol company-owned locations; or

(b) at least ten (10) locations spanning five or more franchise territories owned by three or more Franchisee Control Groups or Sonitrol company-owned locations.

"National Account Subscriber" is an individual Subscriber Account at a particular location or with a particular entity, the terms of which are subject to a National Account Contract. For example, if a National Account Contract was entered into with a national chain of restaurants, each individual restaurant location will be a separate National Account Subscriber.

"Permitted Dealer-to-Dealer Transaction" means any sale or provision of monitoring services in accordance with the standards contained in the Sonitrol Franchise Standards Manual by one Sonitrol Franchisee to another Sonitrol Franchisee, each in good standing under their respective agreements with Sonitrol, or the sale or provision of such products or other services between two (2) Sonitrol Franchisees as Sonitrol may approve in advance in writing, such approval not to be unreasonably withheld.

"Proprietary Products" means any products approved by Sonitrol for sale, lease or installation in connection with the Sonitrol Business that (1) are proprietary, impact-activated, audio intrusion detection devices and systems, or integrated central station managed access control products; (2) bear the Sonitrol Marks; (3) are manufactured by Sonitrol or its designee; (4) are exclusive to the Sonitrol System; and (5)

rely on technology or intellectual property rights in which Sonitrol has an ownership interest. The current list of Proprietary Products is attached as Exhibit "K" hereto. Sonitrol may establish and revise the list of Proprietary Products from time to time in accordance with the Sonitrol Franchise Standards Manual.

"Qualified Retirement Trust" means a qualified pension, profit sharing, or stock bonus plan (including an ESOP) as defined under Internal Revenue Code §401.

"**RMR**" shall mean all recurring monthly contractual revenue due from a Subscriber for access control monitoring, maintenance, fire monitoring, and audio-intrusion monitoring, but shall not include any "pass-through" revenue (*e.g.*, amounts paid by a Subscriber for cellular back-up capabilities that are then used to pay the cellular provider).

"Royalty" is defined in Section 7.02 of this Agreement.

"Sonitrol Business" means the sale, lease, service, installation or monitoring of products and services using the Sonitrol Marks (including Sonitrol Products and Services) to customers, including National Account Customers, as part of the Sonitrol System. Specifically, Sonitrol Business includes the following: (1) the establishment of Subscriber Accounts or the selling or leasing of Sonitrol Products and Services to Subscribers; and (2) advertising Sonitrol Products and Services within the Exclusive Territory or from an Authorized Location.

"Sonitrol Franchisee" means the owner of a Sonitrol Business pursuant to the terms of a then currently effective Sonitrol franchise agreement, excluding franchises owned, operated or acquired by Sonitrol or its Affiliates.

"Sonitrol Franchise System" is defined in the Preamble to this Agreement.

"Sonitrol Franchise Standards Manual" means, collectively, the body of written policies, standards, interpretive bulletins and directives relating to the Sonitrol System that Sonitrol may publish and amend, supplement or replace from time to time, the current version of which is the June, 2010 version. For the avoidance of doubt, the Sonitrol Standards Manual includes the National Accounts Guide and the Graphics Standards Manual. The Sonitrol Franchise Standards Manual may only be modified in accordance with this Agreement; provided however, that Sonitrol may, without notice to, and without Franchisee's consent, and subject to the applicable terms of this Agreement, modify the National Accounts Guide and the Graphics Standards Manual.

In the event that the Sonitrol Franchise Standards Manual does not address a topic for which reference is made to the Sonitrol Franchise Standards Manual in this Agreement, Franchisee shall follow commercially reasonable standards of conduct consistent with the requirements of the Sonitrol Franchise Standards Manual and this Agreement, and if at a future date Sonitrol adopts standards and procedures relating to a topic, Franchisee shall conform its operations to such standards and procedures within a reasonable time after adoption.

"Sonitrol Marks" means the federally registered trademark "Sonitrol" (Registration No. 0912681) and any other proprietary marks that Sonitrol may authorize Franchisee to use pursuant to this Agreement, which may be replaced, substituted, discontinued or supplemented from time to time in accordance with the Sonitrol Franchise Standards Manual.

"Sonitrol Products and Services" means any of the following: (1) Proprietary Products and Controlled Products bearing the Sonitrol Marks used therewith, (2) the sale, lease, installation and/or servicing of any of such products, devices and systems, and (3) the monitoring and other services provided to Subscribers with respect to any of such products, devices and systems

"Sonitrol System" is defined in the Preamble to this Agreement.

"Subscriber Accounts" mean Subscribers who have contracted for Sonitrol Products and Services.

"Subscribers" are the customers who purchase, rent or lease Sonitrol Products and Services.

"Total Contract Value" means the sum of (i) the total charges for the sale and installation of equipment and (ii) the RMR for monitoring and other services multiplied by the number of months of the term of the contract.

"Transfer" means an assignment (whether for security or otherwise), pledge, grant of a security interest, sale, conveyance or transfer, whether it be voluntary, involuntary, by operation of law or otherwise.

ARTICLE I. FRANCHISE TERRITORY

Section 1.01 Franchisee's Exclusive Territory. Subject to the other rights, obligations and limitations set forth in this Agreement, Franchisee is hereby granted the exclusive right to operate a Sonitrol Business in the Exclusive Territory set forth in Exhibit "A." By signing this Agreement, Franchisee accepts these rights and agrees to use its best efforts to promote the Sonitrol Business in the Exclusive Territory, including the sale and service of Sonitrol Products and Services.

(a) Franchisee's existing territory or APR under its Existing Franchise Agreement will be the basis for determining the Exclusive Territory, under this Agreement, provided, however:

(1) Sonitrol may convert the way it identifies geographic boundaries to meet its current criteria for establishing territories for all Franchisees (e.g. if Franchisee's existing franchise territory or APR is defined by counties, Sonitrol may designate the Exclusive Territory by the zip codes covering those counties).

(2) If at least 100 of Franchisee's Subscriber Accounts (or 10% of its total Subscriber Accounts, whichever is less) are located in a concentrated area adjacent to Franchisee's existing territory or area of primary responsibility ("APR"), as applicable, then Sonitrol, at its option, will either:

(i) Include within the description of Franchisee's Exclusive Territory the geographic area where such Subscriber Accounts are located, or

(ii) Allow Franchisee to continue to sell Sonitrol Products and Services within such geographic area where the accounts are located, on a non-exclusive basis.

Section 1.02 Territorial Protection. Except as specifically provided in Section 1.03 of this Agreement, neither Sonitrol nor any of its Affiliates will do any of the following within the Exclusive Territory during the term of this Agreement (or license, authorize or permit another to do any of these things):

(a) Establish or operate a business which uses the Sonitrol Marks;

(b) Promote or advertise the sale or service of Sonitrol Products and Services except by means of Approved National Advertising;

(c) Sell, rent, deliver or install Sonitrol Products and Services except through Franchisee;

(d) Sell, rent, deliver or install Complementary Products and Services bearing the Sonitrol Marks except through Franchisee; and/or

(e) Operate a Competitive business in the Exclusive Territory.

Except as provided in this Agreement, including without limitation Section 1.03 of this Agreement, the Exclusive Territory is intended to be exclusive, and the protections in this Section 1.02 may not be subverted by use of intermediaries, third-party distributors or wholesalers, drop-shipping to third-party installers or alternate means of distribution.

Section 1.03 Exceptions to Territorial Protections.

(a) The restrictions contained in Section 1.02 of this Agreement do not apply to selling, leasing, delivering or installing Sonitrol Products and Services within the Exclusive Territory in any of the following circumstances:

(1) By Sonitrol or its Affiliates to an existing National Account Subscriber if either: (i) Franchisee fails to perform under the applicable National Account Contract (which failures are not corrected within any applicable Cure Period), or (ii) Franchisee exercises the "National Account Opt Out" as provided in Section 10.16(a).

(2) If Franchisee fails to meet its MPRs (which failure is not corrected within the applicable period provided in Subsection 6.04(a)), Sonitrol may: (i) re-designate the Exclusive Territory in Section 1.02 of this Agreement as non-exclusive and directly, or authorize others to, sell, lease, promote, advertise, deliver or install Sonitrol Products and Services and/or any other products and services using the Sonitrol Marks in the Exclusive Territory on a non-exclusive basis; or (ii) exercise any of its other rights and remedies provided under this Agreement.

(3) By Sonitrol or its Affiliates to Subscriber Accounts in the Exclusive Territory which are, as of January 14, 2010, currently owned by Sonitrol (provided that such Subscriber Accounts were not sold or acquired in contravention of any territorial restrictions in Franchisee's Existing Franchise Agreement). Sonitrol has identified on Exhibit "B" all Subscriber Accounts in the Exclusive Territory of Franchisee that Sonitrol owns. Franchisee agrees that Sonitrol will be allowed to continue to service such accounts, but only in the same business premises as listed in Exhibit "B" and if the Subscriber has not had a change of Control since the Effective Date. However, in the event the Subscriber gives up possession of the business premises or has a change of Control, the exception provided by this Subsection 1.03(a)(3) shall automatically expire as to such Subscriber Account and the provisions of Section 1.02 of this Agreement shall thereafter apply to such Subscriber Account. Except as expressly provided in this Section 1.03 and for National Account Customers pursuant to this Agreement, Sonitrol expressly acknowledges and agrees that neither it nor its Affiliates have any right to, nor will they, solicit or contract with new Subscriber Accounts in Franchisee's Exclusive Territory for Sonitrol Products and Services on or after the Effective Date. In the event Sonitrol, or its Affiliate, contracts with any new Subscriber Account for Sonitrol Products and Services in violation of this obligation, Sonitrol agrees that it will immediately turn over that account to Franchisee without compensation, and remit all compensation (less expenses) received from such Subscriber Accounts accrued from the later of (i) the Effective Date and (ii) the date on which such compensation started to accrue, until the date the account is turned over to Franchisee.

(4) Franchisee's rights to sell Sonitrol GSA Products and Services under Section 1.04 of this Agreement are provided on a non-exclusive basis and are subject to the terms and conditions of the then-current Sonitrol GSA Authorized Dealer Program; provided however, Franchisee will be offered the opportunity to install,

monitor and service Subscriber Account GSA Products and Services in Franchisee's Exclusive Territory. If Franchisee declines to install, monitor and service such GSA Subscriber Account, Sonitrol may do so without violating the terms of this Agreement.

(b) Notwithstanding any other provision of this Agreement to the contrary, Sonitrol or any of its Affiliates shall have the right to sell, rent, deliver, promote, advertise or install Complementary Products and Services and other non-Proprietary Products and services which are not Competitive within the Exclusive Territory.

Section 1.04 Government Accounts Under Sonitrol GSA. To the extent that (1) Sonitrol has secured authorization to participate as an approved vendor to the United States federal government through the General Services Administration ("GSA") and (2) Franchisee meets all requirements to participate as a GSA Authorized Dealer (as more fully defined in the Sonitrol GSA Authorized Dealer Program Manual), Franchisee is authorized by Sonitrol to contract directly with, and supply GSA Products and Services to, any facility of the United States federal government, or any agency thereof, located in the Exclusive Territory. In doing so, Franchisee must give Sonitrol written notice before Franchisee first provides any proposal to enter into any such contract or supply arrangement and Franchisee shall comply with all applicable GSA and Sonitrol requirements for sales to GSA customers as set forth in Sonitrol's GSA agreement and the then current Sonitrol GSA Authorized Dealer Program, including pricing and quality specifications. Failure to comply with such requirements is a breach of this Agreement, and Franchisee acknowledges that such noncompliance could jeopardize the authorization for the entire Sonitrol Franchise System to serve as an approved vendor to the United States federal government, and subject Franchisee and/or Sonitrol to civil fines and/or criminal liability. Notwithstanding anything to the contrary herein, Franchisee is not prohibited from otherwise contracting with any agency of the United States government for a Subscriber Account within the Exclusive Territory, or seeking its own GSA authorization for products and services other than Sonitrol Products and Services.

Section 1.05 Non-solicitation. Except as provided in Subsections 1.02 and 10.16 of this Agreement, Sonitrol will not contact or solicit Subscriber Accounts or customers for the purpose of converting them to National Account Customers.

Section 1.06 Restrictions on Franchisee's Activities. During the term of this Agreement, and except as specifically authorized pursuant to Section 1.07 of this Agreement, Franchisee will not directly or indirectly operate a Sonitrol Business outside of the Exclusive Territory, and specifically will not: (1) sell, promote, advertise, or solicit business (through the Internet or otherwise), install, rent, deliver or otherwise provide products and services using the Sonitrol Marks; or (2) advertise or otherwise hold itself out as a Sonitrol Franchisee in any territory outside of the Exclusive Territory unless Sonitrol has granted to Franchisee franchise rights to that other territory under a separate franchise agreement or as otherwise permitted under Section 1.07 of this Agreement. Notwithstanding anything to the contrary herein, this Section 1.06 will not restrict Franchisee from maintaining a website or engaging in promotional or advertising activities which may reach parties outside of the Exclusive Territory so long as Franchisee takes reasonable steps to communicate that it may only provide Sonitrol Products and Services within the Exclusive Territory and Franchisee refers all sales leads for Sonitrol Products and Services to Sonitrol or to another franchisee with rights to that territory.

Section 1.07 Out of Territory Accounts.

(a) **Existing Accounts.**

(1) **Identification**. If Franchisee has Subscriber Accounts (including Subscriber Accounts to whom Franchisee provides Complementary Products and Services) which are located outside of the Exclusive Territory, Franchisee has identified and listed on Exhibit "C" all such Subscriber Accounts. Franchisee may (but is not obligated to) offer to sell those accounts to the Existing Franchisee, if any, in

whose territory such accounts are located or to Sonitrol if there is no Sonitrol Franchisee for such territory.

(2) **Continued Operation**. If Franchisee, another Existing Franchisee, or Sonitrol (if applicable), cannot agree on the price and terms of sale for any Accounts described in Subsection (a)(1) above, then Franchisee will be allowed to continue to own and service such accounts, but only in the same business premises as listed in Exhibit "C" and if the Subscriber has not had a change of Control since the Effective Date. However, in the event the Subscriber gives up possession of the business premises or has a change of Control, Franchisee's ownership of and right to service such Subscriber Account shall automatically expire as to such Subscriber Account. If Franchisee has Subscriber Accounts located in the territory of another Sonitrol Franchisee which is not a party to a franchise agreement in substantially the same form as this Agreement (and therefore is not an Existing Franchisee), Sonitrol will not impair Franchisee's ability to continue to service such Subscriber Accounts.

(3) **Surrender of Accounts Improperly Acquired**. Notwithstanding anything in this Subsection 1.07(a) to the contrary, if Franchisee currently has Subscriber Accounts located in the exclusive territory of another Sonitrol Franchisee which is operating under a franchise agreement which is not in substantially the same form as this Agreement, and Franchisee acquired any of such Subscriber Accounts in violation of Franchisee's Existing Franchise Agreement, Franchisee will be obligated to turn over such Subscriber Accounts to the owner of such exclusive territory without compensation.

(4) **Continuation of Existing Relationship**. If Franchisee has a Subscriber set forth on Exhibit "C" who requests Franchisee to provide Sonitrol Products and Services to new locations owned by that Subscriber outside of Franchisee's Exclusive Territory, then Franchisee may provide Sonitrol Products and Service to such new locations of such Subscriber, (i) if within areas not otherwise subject to a franchise agreement to which Sonitrol is a party, or (ii) if such new locations are within the territory of another Sonitrol Franchisee under a franchise agreement which is in substantially the same form as this Agreement. Franchisee expressly acknowledges and agrees that other Sonitrol Franchisees may have the right to sell Sonitrol Products and Services to Subscribers within Franchisee's Exclusive Territory in the same manner that Franchisee has rights to do so under this Section 1.07(a)(4).

(b) **Monitoring Services.** Franchisee is not required to disclose on Exhibit "C" Subscriber Accounts for which Franchisee performs monitoring services for another Sonitrol Franchisee pursuant to a Monitoring Agreement.

(c) **Later-Acquired Accounts.** If Franchisee later purchases security accounts or a business with security accounts which are located outside of the Exclusive Territory, then Franchisee will be authorized to continue to own, operate and service such accounts, but may not in any way use the Sonitrol Marks in conjunction with such accounts.

(d) **No Solicitation.** Except as provided in this Section 1.07, Franchisee expressly acknowledges and agrees that Franchisee has no right to, and Franchisee will not, solicit or sign new Subscriber Accounts in the territory of any other Sonitrol Franchisee after the Effective Date. In the event Franchisee, signs any new Subscriber Account in violation of this obligation, Franchisee agrees that, on demand of the Sonitrol Franchisee in the territory in which the Subscriber Account is located, Franchisee will turn over that account to such franchisee without compensation.

Section 1.08 Franchisee's Right to Enforce the Exclusive Territory. In the event that another Sonitrol Franchisee conducts any activities in the Exclusive Territory, which activities if taken by Sonitrol would constitute a violation of Section 1.02 of this Agreement, prior to taking any action against the other Sonitrol franchisee, Franchisee agrees to notify Sonitrol and the other Sonitrol franchisee of the alleged violation(s) in writing and provide Sonitrol with a reasonable opportunity to investigate, evaluate and, if appropriate, to attempt to resolve the alleged violation. Notwithstanding any conclusion Sonitrol may reach as to the existence of a violation, Sonitrol shall have no obligation to take any legal action against the other Sonitrol franchisee. In the event Sonitrol is unable to resolve the alleged violations or determines not to take any action against the other Sonitrol franchisee within a reasonable period of time (not to exceed 90 days), Franchisee may proceed to take such actions as it deems appropriate. Franchisee acknowledges and agrees that Sonitrol has no liability to Franchisee in the event any Sonitrol franchisee has sold in the past, or may in the future sell, to Subscribers in the Exclusive Territory.

Section 1.09 Leads for Sonitrol Products and Services. Sonitrol will make all reasonable efforts to forward to Franchisee leads from prospective customers generated from www.sonitrol.com, 1-877-766-4876 (1-877Sonitrol), or other advertising substantially utilizing the Sonitrol Marks, when: (i) the lead originated from within Franchisee's Exclusive Territory, or (ii) the lead relates to an existing or potential Subscriber located within Franchisee's Exclusive Territory. Sonitrol agrees to provide annual reports of data relating to the leads generated from www.sonitrol.com and 1-877-766-4876.

ARTICLE II. TERM OF AGREEMENT AND RENEWAL

Section 2.01 Term. The term of this Agreement shall be for a period of fifteen (15) years from the Effective Date (the "Initial Term").

Section 2.02 Renewal Rights. Franchisee may, at its option, renew this Agreement for one additional period of fifteen (15) years (the "Renewal Term"), provided that at the end of the Initial Term:

(a) Franchisee has provided Sonitrol written notice of Franchisee's intent to renew not less than 180 days and not more than 365 days prior to the end of the Initial Term;

(b) There is not a continuing or uncured Event of Default (provided, however, that if the relevant Cure Period has not yet expired, then Franchisee may renew, conditioned as a condition precedent upon the timely and complete cure of the relevant Event of Default); and

(c) Franchisee and Sonitrol each execute a mutual general release in the form set forth in Exhibit "D."

Section 2.03 Additional Renewal under New Agreement. Following the expiration of the Renewal Term, **Franchisee** may be provided the right to continue the Sonitrol Business according to the current terms and conditions then offered by Sonitrol to new franchisees, provided that at the end of the Renewal Term (1) the conditions specified in clauses (a) through (c) of Section 2.02 of this Agreement have been satisfied with respect to the Renewal Term, and (2) Franchisee and Sonitrol have executed a new franchise agreement (reflecting the current terms and conditions then offered by Sonitrol to new franchisees) in form and substance acceptable to Sonitrol, which franchise agreement may contain terms, including financial terms, which are different from the terms of this Agreement.

Section 2.04 Effect of Non-Renewal. In the event Franchisee does not renew this Agreement, then (1) the term of this Agreement shall expire and Franchisee shall no longer be a Sonitrol Franchisee, and (2) Franchisee shall comply fully, faithfully and in a timely fashion with all of Franchisee's obligations under Articles XVII, XVIII and XX.

ARTICLE III. TRAINING

Section 3.01 Initial and Ongoing Training. Franchisee shall at all times operate the Sonitrol Business with managers and employees who are competent and well-trained. Unless Franchisee is an Existing Franchisee (1) Sonitrol, directly or through its designee, will provide to Franchisee an initial training program relating to the Sonitrol Business, and (2) Franchisee is required to send, at its expense, a general manager or principal operating person, and any other employees reasonably required by Sonitrol, to the training program. The program may include such topics as start-up procedures, financial matters, business operations, marketing and sales procedures, installation, operation, servicing and monitoring of security systems utilizing Sonitrol Products and Services. Sonitrol may change the program, offer supplementary training and instruction, on both voluntary and mandatory bases, as Sonitrol may determine from time to time in its sole discretion.

Section 3.02 Location and Cost. Training programs will be conducted at locations Sonitrol selects, and **Franchisee** may be required to pay the program fee (if any), costs of travel, living accommodations and/or wages for Franchisee's personnel attending the program.

ARTICLE IV. PURCHASE AND REPAIR OF PRODUCTS

Section 4.01 Benefit to System and Need for Standards.

(a) Franchisee and Sonitrol both acknowledge that the national goodwill inherent in the Sonitrol Marks and the Sonitrol System depends upon the enforcement of strict standards and identification of the Sonitrol Marks with quality and reliable products and services. Adherence to these standards and maintaining the Sonitrol brand image benefits Franchisee and Sonitrol alike and is one of the reasons Franchisee desires to be a Sonitrol Franchisee. Thus, it is imperative that Franchisee and all other Sonitrol Franchisees strictly comply with, the product obligations and restrictions stated in this Agreement and in the Sonitrol Franchise Standards Manual.

(b) If Franchisee is an Existing Franchisee and owns, services or monitors security accounts which rely on the use of products or services not otherwise authorized under this Agreement or the Sonitrol Franchise Standards Manual, Franchisee is authorized to continue to service or monitor such existing security accounts in accordance with any applicable provisions of the Sonitrol Franchise Standards Manual, but Franchisee shall not expand any such non-conforming activities. Franchisee may likewise continue with the service and/or monitoring of non-Sonitrol security accounts that Franchisee may later purchase, again subject to any provisions of the Sonitrol Franchise Standards Manual.

Section 4.02 Types of Products/Restriction on Products Franchisee May Purchase and Use in Franchisee's Business. In the operation of the Sonitrol Business, the types of products Franchisee may purchase or use are divided into four categories (Subsections (a) – (d) below), each with relevant terms and restrictions.

(a) **Proprietary Products:**

(1) **Limitation.** Franchisee may purchase Proprietary Products only from Sonitrol or its designee.

(2) **Pricing.** Sonitrol will make Proprietary Products available for purchase by Franchisee and other Sonitrol Franchisees at prices which will not exceed on an annual basis the cost of such products, plus an aggregate gross margin of fifty-three percent (53%) (the "Applicable Percentage"). Sonitrol will calculate the prices and the applicable aggregate gross margin on a calendar year basis on its

aggregate product sales to all franchisees (the calculation will not be done on an individual franchisee basis, nor on each individual item of equipment sold, but rather on all equipment sold to all franchisees), and in the event Sonitrol determines that Sonitrol has charged prices which result in the Applicable Percentage being exceeded, Sonitrol will distribute in a fair and equitable fashion to Existing Franchisees any such excess amount. Nothing in this Subsection 4.02(a)(2) shall limit the price at which Sonitrol may sell or license the Central Monitoring Station equipment or software, whether in its current design or any future design. Upon request, and in no event more often than once per calendar year, Sonitrol will provide to Franchisee reasonable verification of the Applicable Percentage.

(b) **Controlled Products:**

(1) **Limitation.** Franchisee may only purchase Controlled Products from Sonitrol or an Approved Vendor. If a specific Controlled Product is designated as being approved, and is available from multiple vendors, Franchisee may purchase that product from any such vendor. If Franchisee believes a product or vendor meets Sonitrol's quality and performance standards, Franchisee may request that the product or vendor be designated as approved in accordance with the procedures set forth in Subsection 4.02(e). Franchisee must use the Controlled Products in conjunction with the Sonitrol Products and Services and may not substitute other products for the Controlled Products.

(2) **Pricing.** If a Controlled Product is only available through Sonitrol or its Affiliate, Sonitrol will comply with the pricing constraints set forth in Section 4.02(a)(2), as if the product were a Proprietary Product. Sonitrol agrees not to receive any compensation or rebates of any kind from vendors of Controlled Products, based on sales to Franchisee or other Sonitrol Franchisees or in exchange for being granted Approved Vendor status. However, Sonitrol reserves the right to charge a nominal license fee to a third party manufacturer for the private labeling of Controlled Products with the Sonitrol Marks, which fee will not exceed five percent (5%) of the average price charged to Sonitrol Franchisees.

(c) **Unrestricted Goods.** Other than Proprietary Products and Controlled Products, Franchisee is free to purchase products and supplies from any source; provided however, (i) no such products may be connected to or integrated with any Proprietary Products if they would have a negative effect, in Sonitrol's sole reasonable discretion, on the performance of the Proprietary Products, and (ii) except as permitted in Article XXI of this Agreement and the Sonitrol Franchise Standards Manual, no such products may bear any of the Sonitrol Marks.

(d) **Central Monitoring Station.** Should Franchisee elect to purchase a Central Monitoring Station, the licensing and terms of operation and purchase price and terms for the Proprietary Products included therein are not subject to any of the limits set forth in this Section 4.02, but are set forth in the SonIP™ Software License Agreement, SonIP™ Service Agreement and SonIP™ Equipment Purchase Agreement or any other such Sonitrol monitoring agreements described in the Sonitrol Franchise Standards Manual.

(e) **Approved Vendors.** Sonitrol may require Franchisee to purchase or lease Controlled Products solely from Approved Vendors (which may include Sonitrol) who demonstrate to Sonitrol's reasonable satisfaction the ability to meet Sonitrol's reasonable standards and specifications for each item; who possess adequate quality control and capacity to supply Sonitrol's and Franchisee's needs promptly and reliably and who have been approved in writing by Sonitrol and not thereafter disapproved in accordance with the procedures set forth below. A vendor who maintains appropriate listings with Underwriters' Laboratory

("UL") for relevant product lines will be presumed to meet Sonitrol's standards for Controlled Products. Franchisee shall obtain Sonitrol's prior written approval before purchasing any Controlled Products from a vendor not previously designated in writing as an approved vendor to Sonitrol franchisees. Franchisee shall submit to Sonitrol a written request for such approval or shall request the vendor of the item for which approval is requested to do so. Upon request, Franchisee shall also submit to Sonitrol, without cost to Sonitrol, sufficient specifications, photographs, or other information or samples for examination and testing, so that Sonitrol may determine whether such vendor meets Sonitrol's reasonable specifications and standards as set forth in the Sonitrol Franchise Standards Manual or as set forth in writing by Sonitrol from time to time. Sonitrol shall also have the right (at Sonitrol's cost) to require that its representatives be permitted to inspect the vendors' facilities. In addition, Sonitrol reserves the right, at its option, to re-inspect the facilities and products of any Approved Vendor and to revoke its approval upon such vendor's failure to continue to meet Sonitrol's criteria and specifications. As a condition for approval of any new vendor as an Approved Vendor, Franchisee shall reimburse Sonitrol for all costs and expenses incurred by Sonitrol in connection with any examination, testing or inspection, if the Controlled Products that Franchisee proposes to use in its Sonitrol Business are not UL listed. Nothing contained herein shall be deemed to require Sonitrol to approve an inordinate number of vendors for a given item which approval in the reasonable judgment of Sonitrol would result in higher costs generally to Sonitrol franchisees or prevent the effective and economical supervision of its designated vendors by Sonitrol. Franchisee acknowledges and agrees that Sonitrol or its Affiliates may be Approved Vendors of certain products, and, in certain cases, Sonitrol or its Affiliates may be the sole Approved Vendor.

Section 4.03 Modification/Repair. Franchisee may not modify Proprietary Products without **Sonitrol's** prior written consent. Sonitrol may set standards and/or approve or designate Approved Vendors for the service and repair of Proprietary Products in accordance with the policies contained within this Agreement, and as applicable, the Sonitrol Franchise Standards Manual, and with respect to the Central Monitoring Station, as provided in the agreements referred to in Subsection 4.02(d) of this Agreement. Unauthorized repair or modification of Proprietary Products in violation of such policy will void any and all warranties applicable to Proprietary Products and will constitute a breach of this Agreement. Notwithstanding the foregoing, Franchisee may, in the ordinary course of business, attempt to diagnose and/or troubleshoot typical problems as provided in the Sonitrol Franchise Standards Manual, or the applicable vendors' service manuals, or with respect to the Central Monitoring Station, as provided in the agreements referred to in Subsection 4.02(d) of this Agreement.

Section 4.04 Complementary Products and Services.

(a) **Right to Sell; Royalties.** With prior notice and subject to Article XXI of this Agreement, Franchisee may advertise and sell and/or service Complementary Products and Services utilizing the Sonitrol Marks. Unless Franchisee elects to Opt Out (as more fully defined in Subsection 4.04(b) of this Agreement), Gross Revenues derived from the sale of Complementary Products and Services will be subject to the Royalty set forth in Section 7.02. Currently recognized lines of Complementary Products and Services which Sonitrol has approved are listed in Exhibit "E."

(b) **Option to Segregate Business.** Franchisee may elect to sell, provide and/or service Complementary Products and Services during the term of this Agreement and not pay Sonitrol a Royalty on Complementary Products and Services ("Opt-Out"). However, if Franchisee elects to Opt-Out (i) such products and services may not be Competitive with Sonitrol Products and Services; (ii) such products and services may not be marketed, advertised or sold using the Sonitrol Marks; and (iii) Franchisee must strictly comply with the reasonable requirements for the separation of the Complementary Products and Services business from its Sonitrol Business, as set forth in the Sonitrol Franchise Standards Manual. Franchisee may operate such non-Sonitrol business from the same

facilities as the Sonitrol Business, but must conduct such business through a separate legal entity, account for all revenues separately, and not engage in any activity which would likely create confusion or dilution of the Sonitrol Marks or the Sonitrol image among Subscribers or National Account Customers. This election must be made in writing at the time Franchisee executes this Agreement, and will be irrevocable, unless otherwise agreed in writing by Franchisee and Sonitrol. Franchisee shall, and hereby does, indemnify Sonitrol from and against any loss, claim, expense or damage relating to or arising from the provision by Franchisee (or its Affiliate) of any products or services other than Sonitrol Products and Services. This indemnity shall survive termination or expiration of this Agreement for any reason.

(c) **Addition of Complementary Products and Services.** If Franchisee proposes to use or sell any Complementary Products and Services not currently recognized as an approved line of Complementary Products and Services, Franchisee shall first obtain Sonitrol's prior written approval. Franchisee shall submit to Sonitrol a written request for such approval and Sonitrol will have one hundred-twenty (120) days to review and respond to the request for a manufacturer not currently supplying an approved line of Complementary Products and Services, and forty-five (45) days for a manufacturer currently supplying an approved line of Complementary Products and Services; provided that, Sonitrol will grant such request if such product or service, as determined in good faith by Sonitrol, (1) will not materially harm the Sonitrol Marks or the Sonitrol System, (2) is not integrated into the Sonitrol System, and (3) is not Competitive with the Sonitrol System; and, provided further, that if Sonitrol does not respond within such time frame, Franchisee's request shall be deemed granted. Upon the request of Sonitrol, Franchisee shall also submit to Sonitrol sufficient specifications, photographs, or other information or samples for examination and testing, so that Sonitrol may determine whether such Complementary Products and Services comply with the requirements herein stated. As a condition for approval of any new Complementary Products and Services, Franchisee shall reimburse Sonitrol for all reasonable costs and expenses incurred by Sonitrol in connection with any examination, testing or inspection, if such products are not UL listed.

(d) **Later Disapproval of a Complementary Products or Services.** Sonitrol will not later disapprove Franchisee's continued use or sale of Complementary Products or Services unless such Complementary Products or Services materially harm the Sonitrol Marks or the Sonitrol System, as determined by Sonitrol in good faith. In the event of such deletion, Sonitrol will provide to Franchisee a minimum of 180 days notice to dispose of any stock that Franchisee has on hand at the time of notice.

Section 4.05 No Restriction on Pricing. Franchisee will be free to set the prices that it charges Subscribers for the products and services **Franchisee** sells, leases or provides. Sonitrol will not directly or indirectly establish any maximum pricing constraints or require Franchisee to honor any fixed pricing, except for Government Accounts under GSA as provided in Section 1.04 of this Agreement and National Account Contracts which will be established pursuant to the provisions of this Agreement.

ARTICLE V. NEW PRODUCT DEVELOPMENT

Section 5.01 Development or Discontinuance of Sonitrol Products and Services. Sonitrol will use commercially reasonable efforts to improve and advance the technology, function and design of Sonitrol Products and Services. As Sonitrol does so, Franchisee agrees to sell, service and promote such new products, pursuant to the terms of this Agreement. Sonitrol will not discontinue any Proprietary Product without providing for a substitute Proprietary Product and an end-of-life parts replacement and service plan. Sonitrol or its affiliates may designate or approve new or additional products, add or discontinue products in its reasonable discretion, but subject to the other terms of this Agreement and the Sonitrol Franchise Standards Manual. In the event that Sonitrol intends to discontinue an obsolete Proprietary

Product or Controlled Product, Sonitrol will provide a detailed plan for the discontinuance of such obsolete product to the DAC for a thirty (30) day comment period. The comments of Franchisee or the DAC to any proposed changes to the Sonitrol Franchise Standards Manual will not be binding on Sonitrol.

ARTICLE VI. OPERATING, SALES AND INVENTORY REQUIREMENTS

Section 6.01 Development of Exclusive Territory. At all times during the term of this Agreement, Franchisee agrees to use its best efforts to establish new Subscriber Accounts and to promote the Sonitrol Business and the sale of Sonitrol Products and Services within the Exclusive Territory.

Section 6.02 Monitoring Operations. If Franchisee is not an Existing Franchisee, prior to opening Franchisee must either purchase from Sonitrol a current version of the Central Monitoring Station for use in connection with the Sonitrol Business, or contract with Sonitrol or another Sonitrol Franchisee pursuant to a Monitoring Agreement to provide monitoring services to Subscribers. If Franchisee contracts with another Sonitrol Franchisee, that franchisee must be in compliance with its franchise agreement with Sonitrol.

Section 6.03 Commencement of Operations. If Franchisee is not an Existing Franchisee, Franchisee must complete required initial training and commence operation of its Sonitrol Business within 180 days of the Effective Date. In the event Franchisee is delayed by government agencies or forces beyond its control as provided in Section 22.03 of this Agreement, this period will be extended to the extent of the delays caused thereby, provided however, in no event shall such extension exceed thirty (30) days without the express written consent of Sonitrol. If Franchisee does not commence operations within this time, Sonitrol may terminate this Agreement. If Franchisee is an Existing Franchisee, Franchisee must maintain continuous operations from and after the Effective Date.

Section 6.04 Minimum Performance Requirements.

(a) **General Requirement.** Franchisee, after being in operation as a Sonitrol Business for a period of more than three (3) years (which shall include Franchisee's operations under any Existing Franchise Agreement) shall, as a minimum performance requirement, purchase from Sonitrol no less than an aggregate of $10,000 of Proprietary Products in each calendar year while this Agreement is in effect ("MPRs"). In the event that Franchisee is part of a Franchisee Control Group, Franchisee may satisfy its MPRs if the average annual purchases of Proprietary Products for all Sonitrol Franchises within that Franchisee Control Group is no less than $10,000 for such calendar year.

(1) If Franchisee can reasonably demonstrate a significant adverse economic event or condition within its Exclusive Territory (for example, the closing of a major employer or loss of an industry) which is beyond the reasonable norms for the Sonitrol System as a whole, Franchise and Sonitrol agree to negotiate a reasonable adjustment to the MPRs to account for such significant adverse economic event or condition.

(b) **Failure to Meet MPRs.** If Franchisee shall fail to meet its MPRs in any given calendar year, Franchisee shall have one calendar year in which to improve performance and meet its MPRs. Failure of Franchisee to meet its MPRs for two consecutive years will be an Event of Default under this Agreement, pursuant to which Sonitrol may immediately terminate this Agreement.

Section 6.05 Sonitrol Franchise Standards Manual.

(a) Franchisee is required to adhere to the standards and requirements of the Sonitrol Franchise Standards Manual throughout the term of this Agreement and Franchisee

agrees that it will conduct its operations in accordance with the Sonitrol Franchise Standards Manual. Franchisee acknowledges and agrees that the Sonitrol Franchise Standards Manual supplements certain terms and conditions of this Agreement. In the event of any conflict between this Agreement and the Sonitrol Franchise Standards Manual, this Agreement shall control. By Franchisee's execution of this Agreement, Franchisee acknowledges that it has been provided a current version of the Sonitrol Franchise Standards Manual.

(b) Sonitrol expressly agrees to refrain from taking any actions with respect to the Sonitrol Marks or the use of any Proprietary Products in connection with the operation of Sonitrol company-owned businesses, or permitting any Affiliate to act in a manner, that would materially impair Franchisee's Sonitrol Business. Sonitrol may make modifications to the Sonitrol Franchise Standards Manual with a minimum of thirty (30) days notice to the DAC. All modifications to the Sonitrol Franchise Standards Manual shall be commercially reasonable. Comments to proposed modifications to the Sonitrol Franchise Standards Manual from Franchisee or the DAC will not be binding on Sonitrol. In no event will Sonitrol modify the Sonitrol Franchise Standards Manual provisions regarding the National Account program more often than once per calendar year except in the case of emergency business matters, to conform with applicable legal requirements or to correct typographical errors.

ARTICLE VII. FRANCHISE AND ROYALTY FEES

Section 7.01 Initial Franchise Fee.

(a) Franchisee is an Existing Franchisee and this Agreement is being substituted for Franchisee's Existing Franchise Agreement, there will be no initial franchise fee upon execution of this Agreement. Further, if Franchisee acquires another business in the Exclusive Territory and converts all or substantially all of the business and accounts to operate under the Sonitrol Business, Sonitrol will not charge Franchisee an initial franchise fee. If Sonitrol authorizes Franchisee to establish a new Sonitrol Business in another territory, Franchisee will be required to sign a separate franchise agreement with regard to that franchise and territory, which franchise agreement will be in substantially the same form as this Agreement; provided that, the initial franchise fee will be one-third (1/3) of the amount of the initial fee for franchises as provided below:

Population	Initial Fee
200,000-350,000	$25,000
350,001-500,000	$35,000
500,001-1,000,000	$45,000
Over 1,000,000	$55,000

Section 7.02 Royalty. In consideration for the ongoing right to operate a Sonitrol Business as provided in this Agreement, Franchisee will pay Sonitrol a continuing annual royalty (the "Royalty"), calculated as follows:

(a) **Royalty Rate.** The initial "Royalty Rate" shall be a percentage calculated by dividing: (i) the aggregate amount of royalty fees due under Franchisee's Existing Franchise Agreement for the calendar year ending December 31, 2009 (the "Applicable Calendar Year"), by (ii) Franchisee's aggregate Gross Revenues arising from the Sonitrol Business for the Applicable Calendar Year.

(1) If, pursuant to the calculation in Subsection 7.02(a), the royalty percentage paid by Franchisee under Franchisee's Existing Franchise Agreement is greater than

three percent (3.0%), the Royalty Rate shall be decreased by 0.25% per calendar year, until such time as the Royalty Rate equals 3.0%;

(2) If, pursuant to the calculation in Subsection 7.02(a), the royalty percentage paid by Franchisee under Franchisee's Existing Franchise Agreement is less than three percent (3.0%), the Royalty Rate shall be increased by 0.25% per calendar year, until such time as the Royalty Rate equals 3.0%;

(b) **Increases to the Royalty Rate.** Commencing on April 1, 2018, Sonitrol may increase the Royalty Rate if the aggregate Royalty paid by all Sonitrol Franchisees for the calendar year ending December 31, 2017 is not at least 114.8% (the "Threshold Royalty") of the aggregate Royalty paid by all Sonitrol Franchisees for the calendar year ending December 31, 2010. Notwithstanding the foregoing, (i) the Royalty Rate will not increase more than 0.25% in any calendar year, and (ii) the Royalty Rate will never exceed 4.0% during the term of this Agreement or any renewal or extension hereof.

(1) The chart attached as Schedule 1 is for illustration purposes only showing permissible increases in the Royalty Rate under assumed "Aggregate Franchise Royalties" for the relevant years.

(2) For the purpose of this Subsection 7.02(b), the amount of the Aggregate Franchisee Royalty will be reduced for any acquisition of Subscriber Accounts by Sonitrol or its Affiliates, or the loss of Subscriber Accounts from the Sonitrol Franchisee Businesses due to the termination or non-renewal of Sonitrol Franchisees, in an amount equal to 3.0% of the annual Gross Revenues related to such Subscriber Accounts. For example, if Sonitrol or its Affiliates acquire the Subscriber Accounts of Sonitrol Franchisees with aggregate annual Gross Revenues of $1,000,000, then the "Threshold Royalty" will be reduced by $30,000. Likewise, if Sonitrol Franchisees representing $500,000 of annual Gross Revenues do not renew their franchise agreements with Sonitrol or are otherwise terminated, the Threshold Royalty will be reduced by $15,000.

(c) **Annual Royalty Calculation**. On April 1st of each calendar year, Sonitrol will establish the Royalty for the following twelve (12) month period by multiplying the currently effective Royalty Rate by Franchisee's Gross Revenues for the calendar year most recently ended.

(1) Example: Assuming that Franchisee's Royalty Rate is 3.25% on the Effective Date and Gross Revenues as of December 31, 2009 are $1,000,000, on April 1, 2010, Franchisee's Royalty will equal $32,500, and, if payable monthly, will be equal to monthly installments of $2,708.33 each, commencing with April 1, 2010 and continuing through and including March 1, 2011. If Franchisee's Gross Revenues for the calendar year ending December 31, 2010 are $1,000,000, Franchisee's Royalty Rate will be 3.0% and Franchisee's annual Royalty will equal $30,000, and, if payable monthly, will be equal monthly installments of $2,500.00 commencing April 1, 2011 and continuing through and including March 1, 2012.

Section 7.03 Time of Payment; Service Fees. Franchisee will make equal payments of Royalty equal to Franchisee's Gross Revenues for the prior calendar year, multiplied by the Royalty Rate effective for the current calendar year. Payments will be made on a [monthly/quarterly] basis in advance on the first day of each [month/quarter]. Franchisee shall submit a report by the fifteenth day of each month for the Gross Revenues accruing during the prior month. Sonitrol will invoice Franchisee for the applicable Royalty, and such Royalty will be due and payable within fifteen days of Sonitrol's invoice. The prorated Royalty for the period commencing on the Effective Date through and until the first payment date shall be due and payable within fifteen (15) days of a statement from Sonitrol of Franchisee's Royalty. Until the

Effective Date, Franchisee shall pay to Sonitrol the amount due to Sonitrol under the Existing Franchise Agreement. A service fee of one-tenth of one percent (0.1%) per day will be assessed on all Royalty payments not received on the date due. Sonitrol's acceptance of this service fee will not be deemed a waiver of any of its other rights or remedies under this Agreement. Franchisee shall cooperate with Sonitrol in determining the amount of the initial Royalty due from Franchisee under this Agreement and shall provide to Sonitrol all necessary documentation to determine such Royalty immediately upon Sonitrol's request. If Franchisee notifies Sonitrol of a good faith dispute as to the amount owed under this Agreement, the late fee will not be assessed until such time as Sonitrol responds to such claim of disputed amount.

Section 7.04 Audit. Sonitrol has the right, upon reasonable prior notice to Franchisee, to audit or cause to be audited the Gross Revenue reports, and the source information necessary to support **such** reports and all of Franchisee's books and records relating to Franchisee's income and expenses, in accordance with its Audit Policy set forth in the Sonitrol Franchise Standards Manual. Franchisee agrees to cooperate fully with the auditors and provide all information reasonably requested for the audit. If Sonitrol reasonably determines that Franchisee understated or misrepresented any information required to be reported to Sonitrol under this Agreement for purposes of calculating the Royalty, then Sonitrol will recalculate the Royalty based upon such corrected information and provide written notice to Franchisee of the amounts owed. Franchisee shall pay to Sonitrol all past-due Royalties and other amounts, together with interest accruing from the date such Royalties or other amounts should have been paid, at the rate of eighteen percent (18%) per year and payment will be due ten (10) days after Sonitrol provides to Franchisee written notice of the audit results and the amount due. In addition, if Franchisee under reported Royalty amounts due for any given year by more than five percent 5% then Franchisee will also reimburse Sonitrol for the reasonable cost of the audit, including without limitation the charges of any independent accountant and the reasonable travel, lodging and meal expenses incurred by its employees or agents who conducted the audit. If Sonitrol's audit demonstrates that Franchisee overpaid Royalties for any period, Sonitrol will promptly issue a credit which will be applied against Franchisee's next Royalty payment (or successive payments to the extent of remaining credit balances).

Section 7.05 Reports. Franchisee shall submit Royalty reports in the form and content prescribed in the Sonitrol Franchise Standards Manual. Franchisee shall also submit to Sonitrol a report in the form and content prescribed in the Sonitrol Franchise Standards Manual within fifteen (15) days of the end of each calendar year.

ARTICLE VIII. ADVERTISING AND PROMOTION

Section 8.01 General Duties. Franchisee will advertise the Sonitrol Business within the Exclusive Territory. In addition to advertising and promotional programs Sonitrol may offer, Franchisee may engage in local advertising and promotional efforts; provided that, all advertising material and promotional programs (including any Internet website and any revisions thereof) comply with the standards contained in Sonitrol Franchise Standards Manual, or are otherwise approved by Sonitrol in writing, which approval will not be unreasonably withheld or delayed.

Section 8.02 System Advertising Fund. In the event that Sonitrol proposes the establishment, and the DAC approves the creation, of a system advertising fund or advertising co-operative ("System Advertising Fund" or the "Fund"), Franchisee agrees to participate in the Fund. The amount of the **contribution** and the payment terms shall be determined by the agreement of Sonitrol and the DAC.

Section 8.03 Administration of the Fund. The Fund will be administered by Sonitrol, or an entity formed by Sonitrol for the purpose of operating a System Advertising Fund, and shall operate according to policies and procedures which will be contained within the Sonitrol Franchise Standards Manual.

ARTICLE IX. FRANCHISEE'S MARKETING AND BUSINESS PLAN

Section 9.01 Conformance to Business Plan. Franchisee hereby acknowledges that Sonitrol cannot and does not guarantee the success of Franchisee's Sonitrol Business. Franchisee acknowledges that the success of the Sonitrol Business depends on many factors, including the reasonableness of the Franchisee's business plan (the "Business Plan") and conformity to the Business Plan. Franchisee has not relied on any representations or assurances by Sonitrol in preparing any Business Plan other than what is expressly stated in this Agreement. Franchisee acknowledges that, by accepting any Business Plan, Sonitrol makes no representations, express or implied, as to expected earnings or whether Franchisee will achieve the goals set out in any Business Plan.

Section 9.02 Annual Business **Plan.** At Sonitrol's request, and in accordance with the provisions of the Sonitrol Franchise Standards Manual, Franchisee will deliver a Business Plan for the next fiscal year. Franchisee agrees to include in the Business Plan a financial review, including a balance sheet and income statement for the preceding **year**. Sonitrol may prescribe formats, charts of accounts and standard reporting criteria in the Sonitrol Franchise Standards Manual for the Business Plan, and Franchisee agrees to comply with such standards and procedures.

Section 9.03 Certification. Franchisee certifies that the total capitalization set forth in the Business Plan is true, correct and **complete** in all material respects, and that the total capitalization is available as of the Effective Date. This Section 9.03 shall not apply to Existing Franchisees.

ARTICLE X. FRANCHISEE'S BUSINESS OPERATIONS

Section 10.01 No Physical Facility Requirements. Sonitrol acknowledges that, in the current business environment, Franchisee may be able to operate effectively and responsibly without an office facility, as long as Franchisee does not operate a Central Monitoring Station. However, if Franchisee does operate a Central Monitoring Station or otherwise chooses to operate an office facility, then Franchisee agrees to comply with the applicable standards for such office facility as set forth in the Sonitrol Franchise Standards Manual.

Section 10.02 Installation and Service. Except as otherwise specifically provided under this Agreement, Franchisee agrees to install and service Subscriber Accounts, including National Account Subscriber accounts and government accounts under GSA within the Exclusive Territory, subject to the terms of the applicable contracts and relevant policies set forth in the Sonitrol Franchise Standards Manual.

Section 10.03 Responsibility For Employees and Contact with Subscribers. Franchisee will be solely responsible for the conduct of its employees, owners, agents, representatives and subcontractors for conduct relating to or arising from the operation of the Sonitrol Business.

Section 10.04 Central Monitoring Station. Franchisee will monitor, or contract with Sonitrol or another Sonitrol Franchisee pursuant to a Monitoring Agreement to monitor, the Subscriber Accounts. All Central Monitoring Station monitoring will be done in accordance with standards set forth in the relevant Subscriber contracts and the Sonitrol Franchise Standards Manual. If during the term of this Agreement Franchisee contracts with another Sonitrol Franchisee to provide monitoring, that Sonitrol Franchisee must remain in compliance with its franchise agreement with Sonitrol.

Section 10.05 Contacts With Subscribers. Franchisee agrees at all times to give prompt, courteous and efficient service to Subscribers; perform work competently and in a workmanlike manner; and, in all business dealings with the members of the public, be governed by the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to do nothing which negatively affects the reputation of the Sonitrol System or the Sonitrol Marks.

Section 10.06 Employees. Franchisee agrees to establish personnel standards for its employees to ensure that they respond promptly and courteously to all Subscriber and other business inquiries and that they are of good moral character, maintain high ethical standards in all business dealings on Franchisee's behalf and are neat and well-groomed in personal appearance.

Section 10.07 Manager. Franchisee acknowledges that the successful operation of the Sonitrol Business requires professional management and agrees that the general manager or principal operating person ("Manager") will be a person of good moral character who has the requisite business experience and is competent and capable of performing all of the duties and obligations required of Franchisee under this Agreement.

Section 10.08 Compliance With Laws. Sonitrol and Franchisee each agree to comply with all applicable laws, regulations, ordinances and requirements of any applicable government authority, and to obtain all necessary permits, licenses, or other consents for the operation of their respective businesses. Sonitrol agrees to seek and maintain all necessary product listings, certificates or approvals as required by law or as reasonably required by industry standard for all Proprietary Products it, or its Affiliates, manufactures or offers for sale to Franchisee.

Section 10.09 Taxes. Franchisee agrees to be responsible for timely paying all applicable taxes, surcharges, license fees and other obligations associated with its business operations.

Section 10.10 Facility and Equipment. Franchisee agrees to keep the Authorized Facility (if any) and all vehicles and furnishings clean, neat and orderly so as to maintain an attractive appearance and to keep all inventory and equipment clean and in a state of good repair.

Section 10.11 Inspection. Sonitrol may from time to time, during normal business hours (with reasonable notice and at its expense), inspect the Authorized Facility and business operations to determine compliance with this Agreement and the Sonitrol Franchise Standards Manual. Sonitrol agrees to report promptly any deficiencies to Franchisee in writing. Franchisee agrees to take prompt steps to remedy any such violations or deficiencies as otherwise provided in this Agreement and the Sonitrol Franchise Standards Manual.

Section 10.12 Insurance. Franchisee shall at all times during the term of this Agreement, and at its own expense, keep in force by advance payment of premium:

(a) general liability insurance (including errors and omissions, premises liability and casualty loss insurance coverage with carriers and policy and coverage provisions) in an amount not less than $1,000,000.00, insuring Franchisee against any liability that may accrue by reason of the operation of the Sonitrol Business. The policy shall name Sonitrol (and any distributor if applicable) as an additional insured, using an ISO endorsement reasonably acceptable to Sonitrol;

(b) workers' compensation insurance and employer's liability insurance as required by law; and,

(c) commercial auto liability (primary) providing limits of at least $1,000,000.00 each occurrence.

All policies of insurance to be maintained by Franchisee shall name the Franchisee as named insured and contain a separate endorsement naming Sonitrol as an additional insured (where available). All insurance shall be placed with an insurance carrier or carriers with an A.M. Best's rating of "A" and an A.M. Best's Class rating of "xiv" or better, duly licensed in the state in which Franchisee's Sonitrol Business is located, or be otherwise approved in writing by Sonitrol, and shall not be subject to cancellation except upon thirty (30) days written notice to Sonitrol. All policies of insurance, or certifications for insurance with a copy of the original policy attached,

showing full compliance with the requirements of this covenant, shall at all times be kept on deposit with Sonitrol. On an annual basis, Franchisee shall provide to Sonitrol evidence in the form of a certificate of insurance and a copy of the actual policy that such insurance remains in full force and effect.

Section 10.13 Record Keeping. Franchisee agrees to maintain accurate records, reports, accounts, books and data which shall fairly and accurately reflect the operations of the Sonitrol Business and any other business Franchisee conducts. Franchisee also agrees to comply with the reasonable record-keeping and reporting policies as set forth in the Sonitrol Franchise Standards Manual. Franchisee agrees to maintain its records and files in a secure manner to safeguard and prevent unauthorized persons from having access to the records, or accidental destruction. Sonitrol may examine and audit the records of Franchisee's Sonitrol Business, at Sonitrol's expense, upon notice and according to the procedures set forth in this Agreement and the Sonitrol Franchise Standards Manual.

Section 10.14 List of Owners/Key Employees. Exhibit "G" hereto contains a complete and accurate list of all of Franchisee's Existing Equityholders including class and number of shares or percentage ownership. Franchisee agrees to notify Sonitrol in writing before the change in any ownership interest which does not require consent under this Agreement (if reasonably possible and if not possible, promptly after Franchisee becomes aware of such change). Franchisee agrees to comply with all applicable restrictions against Transfer as provided in this Agreement. If Franchisee completes Exhibit "H", it will be presumed that such listed employees meet the definition of a Key Employee. If Franchisee chooses not to complete Exhibit "H", then it will be Franchisee's burden to demonstrate to Sonitrol's reasonable satisfaction that an individual meets the definition of a Key Employee for the purpose of Section 14.02. Franchisee agrees to notify Sonitrol in the event of any change in Key Employees; provided, however, that failure to do so will not be a breach of this Agreement. Sonitrol may periodically request that Franchisee update the lists of Existing Equityholders and Key Employees and Franchisee agrees to comply with that request within a reasonable time.

Section 10.15 Financial Statements. At Sonitrol's request, Franchisee agrees to provide Sonitrol, within four (4) months following the close of each fiscal year, Franchisee's financial statements prepared by an independent certified public accountant. The financial statements shall be prepared in accordance with generally accepted accounting principles as applied in the United States except as otherwise expressly disclosed in the notes to the financial statements and certified by an officer of Franchisee as true and accurate in all material respects. Franchisee agrees to provide to Sonitrol annually with a year-end chart of accounts in the form prescribed by Sonitrol in the Sonitrol Franchise Standards Manual.

Section 10.16 National **Accounts.** Franchisee acknowledges that securing National Account Customers with multiple locations both within and outside Franchisee's Exclusive Territory is beneficial to the entire Sonitrol System and the following provisions shall apply:

(a) Annually, Sonitrol will publish pricing parameters, labor and installation rates and all pertinent terms of its "National Accounts" program which will remain in effect for a full year after such publication. Sonitrol will provide Franchisee written notice of such terms at least thirty (30) days in advance of the effective date of such terms. Franchisee may either accept such terms for the coming year, or Franchisee may elect to opt out of (solely for the purpose of this Section 10.16, hereinafter, the "National Account Opt Out") any obligation or right to secure, install and service National Account Subscribers (i) for leases of products to National Account Customers, or (ii) for all sales (including direct sales and leases) of products to National Account Customers.

(b) If Franchisee elects to exercise its National Account Opt Out, (1) Sonitrol or its designee (including another Sonitrol Franchisee) shall have the right to solicit and contract directly with any new National Account Customers (for example, new National Account Customers on and after the date when Franchisee "Opts Out") for direct sales and/or leases, as applicable, of products within Franchisee's Exclusive Territory and to sell, install, monitor and service such locations, and will be entitled to retain all revenue

related thereto, and (2) Franchisee automatically waives any and all monitoring rights associated with such National Account Customers. This election by Franchisee to exercise the National Account Opt Out under this Section 10.16 must be made in writing at the time Franchisee executes this Agreement or at any time during the term of the Agreement within thirty (30) days of the publication of revised terms for National Accounts as provided in Section 10.16(a). Such election by Franchisee will be irrevocable for three (3) years, unless otherwise agreed in writing by Sonitrol.

(c) Unless Franchisee elects to exercise its rights under the National Account Opt Out Franchisee shall use its best efforts to secure such National Account Customers that have their corporate headquarters located in Franchisee's Exclusive Territory in compliance with the relevant standards set forth in the Sonitrol Franchise Standards Manual. Sonitrol and Franchisee agree to comply with such standards as they may be reasonably amended from time-to-time by Sonitrol. Where such standards differ from this Agreement, this Agreement shall control.

(d) For each National Account Subscriber which is a direct sale relationship, Sonitrol shall retain as its fee thirteen percent (13%) of the Total Contract Value as a sales and service commission ("Commission") for managing such National Account. Notwithstanding the foregoing, if the corporate headquarters of the National Account Subscriber is located in Franchisee's Existing Territory, and Franchisee can substantiate (in accordance with the procedures in the applicable Sonitrol Franchise Standards Manual) that Franchisee introduced the National Account to Sonitrol and had the predominate business relationship with such National Account Subscriber prior to it becoming a National Account Customer, then (i) for any National Account Subscriber locations within Franchisee's Exclusive Territory, which were not a Subscriber Account of Franchisee prior to becoming a National Account, the Commission will be reduced to 6.5%, and (ii) for any National Account Subscriber location within Franchisee's Exclusive Territory for which Franchisee has an effective Subscriber Contract with such National Account Subscriber location at the time of the entering into of the National Account Contract, the Commission will be reduced to 0%. If a National Account Customer cancels its National Account Contract within the first two (2) years of the National Account Contract, Sonitrol will rebate to Franchisee: (i) 50% of the commission actually received by Sonitrol if the termination occurs in the first year of the contract, and (ii) 25% of the Commission actually received by Sonitrol if the termination occurs in the second year of the contract. For each National Account Subscriber which is a lease relationship, the fee sharing with respect to such Subscribers shall be in accordance with the terms of the Sonitrol Franchise Standards Manual.

(e) Provided that Franchisee has not exercised its National Account Opt Out, Franchisee shall install and service applicable National Account Subscribers within Franchisee's Exclusive Territory. Franchisee will be compensated for the installation servicing and monitoring provided to National Account Subscribers in accordance with the criteria established and published annually by Sonitrol. Notwithstanding anything to the contrary herein, such compensation for direct sales with National Account Subscribers, unless otherwise agreed in writing with Franchisee, will not be less than: (1) a 20% Gross Margin on the direct sale installation fees paid by the National Account Customer for such National Account Subscriber location; and (2) RMR discounted by not more than thirty-five percent (35%) of the RMR calculated by Sonitrol's estimating software for National Account Customers as published in accordance with the provisions of Subsection 10.16(a). In no event will the prices charged to National Account Subscribers in areas serviced by Franchisee be less than those charged to National Account Subscribers operating in areas serviced by Sonitrol company-owned locations for substantially similar products, terms, system design, and services.

(f) Notwithstanding Franchisee's obligation to install and service National Account Subscriber locations within the Exclusive Territory, as described in this Section 10.16, Franchisee acknowledges that a National Account Customer may require that all its locations, whether within or outside Franchisee's Exclusive Territory, be monitored from a single Central Monitoring Station. Accordingly, the monitoring of National Account Subscriber locations within Franchisee's Exclusive Territory may, at the National Account Customer's election, be performed by Sonitrol (or other authorized Sonitrol franchisee). Any such monitoring services provided by Sonitrol for National Account Subscriber locations that were installed and are serviced by Franchisee pursuant to this Section 10.16 shall be provided in accordance with the Monitoring Agreement. Under the Monitoring Agreement, Franchisee shall compensate Sonitrol for providing monitoring services at a rate that will not exceed the rate published in the Sonitrol Franchise Standards Manual, which rate may not be increased by more than the percentage increase in monitoring charges applied to the applicable National Account Customer. The initial rate for basic monitoring services will be $15, per Subscriber Account, per month.

(g) Franchisee acknowledges that its Central Monitoring Station must have the capacity to support "mySonitrol.net" (the "Internet Site") for its accounts being monitored by such Central Monitoring Station. In the event that the Franchisee's Central Monitoring Station lacks the required capacity to support the Internet Site, and a National Account Customer requires such capability, either at the time of sale or thereafter, Franchisee agrees to transfer the monitoring of such account to Sonitrol (or other authorized Sonitrol franchisee) within a reasonable period of time. Any such monitoring services provided by Sonitrol to a related National Account Subscriber pursuant to this Subsection 10.16(g) shall be provided in accordance with the terms of the Monitoring Agreement. Franchisee shall compensate Sonitrol for providing monitoring services at the rates described in Subsection 10.16(f) above. If Franchisee transfers the monitoring services to another Sonitrol Franchisee, then Franchisee will negotiate the monitoring rate directly with such other Franchisee and provide for such rate in the Monitoring Agreement.

(h) Sonitrol may, upon the request of the National Account Customer, but is not required, to invoice and collect all fees and other payments for the installation, monitoring and servicing of National Account Subscriber locations within the Exclusive Territory. Terms for payment of Franchisee for installation, monitoring and servicing of a National Account Subscriber within Franchisee's Exclusive Territory shall be net forty-five (45) days of the date of Franchisee's invoice to Sonitrol. Late payments will be subject to the same interest rate as set forth in Section 7.03. If Sonitrol monitors such location, pursuant to Subsections 10.16(f) or (g), then Sonitrol may deduct Sonitrol's monitoring fee and pay the balance to Franchisee. Further, Sonitrol reserves the right to deduct any and all past due amounts owed by Franchisee to Sonitrol under this Agreement or any other agreement from any payments owed by Sonitrol to Franchisee under this Section 10.16. In the event that a National Account Customer claims that Franchisee failed to meet Sonitrol's standards for the installation and/or service applicable to that National Account Contract, Sonitrol may withhold applicable payments until the resolution of the dispute.

(i) Franchisee may not change the pricing structure related to any National Account Subscriber without prior written consent from Sonitrol.

(j) For purposes of this Section 10.16, "Gross Margin" shall mean the estimated margin of return for a Sonitrol franchisee for a National Account Subscriber installation, all as calculated by Sonitrol's estimating software for National Account Customers and as published in accordance with Subsection 10.16(a).

(k) Nothing in this Agreement will restrict Franchisee's ability to contract with customers who are not designated as National Account Customers within Franchisee's exclusive

territory, or to refer accounts located outside of its Exclusive Territory to another Sonitrol Franchisee authorized to sell or provide Sonitrol Products and Services within the relevant territory. At all times, Franchisee will remain the owner of all Subscriber Accounts within its Exclusive Territory, except for National Account Subscribers where Franchisee "Opted Out" under this Section 10.16.

ARTICLE XI. CONFIDENTIAL INFORMATION

Section 11.01 Information To Be Protected. From time to time Sonitrol, its designees or Approved Vendors may provide Franchisee with Confidential Information to help Franchisee in the operation of the Sonitrol Business. Pursuant to this Agreement and the policies within the Sonitrol Franchise Standards Manual, Franchisee may be required to provide Sonitrol (or may do so on a voluntary basis) with Dealer Information.

Section 11.02 Acknowledgement of Proprietary Trade Secrets. Franchisee and Sonitrol agree that the Confidential Information and the Dealer Information are (or contain) proprietary trade secrets and derive significant independent value from not being generally known to the public, within the industry and particularly to competitors to the Sonitrol System.

Section 11.03 Restrictions on Distribution. Franchisee (with regard to the Confidential Information) and Sonitrol (with regard to the Dealer Information) agree not to use, share or in any way communicate such information to any third party without the other's prior written consent except as specifically provided in this Agreement.

(a) Franchisee agrees not to disclose any Confidential Information to any person, except as may be required by applicable law or to its employees, agents, representatives, auditors or attorneys who need to know such information for the effective operation of the Sonitrol Business or the enforcement of its rights under this Agreement. Franchisee agrees to use its best efforts to prevent inadvertent disclosure of any Confidential Information. Franchisee agrees to inform Sonitrol promptly of any unauthorized use or disclosure of any Confidential Information. Franchisee agrees that the duty not to disclose Confidential Information shall continue throughout the Term and following the expiration or termination of this Agreement and any successor agreements. All Confidential Information shall be returned to Sonitrol on termination or expiration of this Agreement.

(b) Sonitrol agrees not to disclose any Dealer Information to any person, except as may be required by applicable law or to those of its employees, agents, representatives, auditors or attorneys who need to know such information in connection with the conduct of the business or the enforcement of its rights under this Agreement. Sonitrol agrees to use its best efforts to prevent inadvertent disclosure of any Dealer Information. Sonitrol agrees that the duty not to use or disclose the Dealer Information shall continue throughout the Term and for a period of three (3) years following the expiration or termination of this Agreement and any successor agreements. Notwithstanding the foregoing, to the extent that the Dealer Information includes information relating to Subscriber Accounts, Franchisee agrees that upon termination or expiration of the Initial Term or Renewal Term (and Franchisee's choosing not to renew under the provisions of Section 2.03 of this Agreement), Sonitrol will have the right to use such information for purposes of monitoring Franchisee's compliance with its obligations under this Agreement, including but not limited to those under Article XVIII, but Sonitrol may not use the information for direct solicitation of such Subscriber Accounts during the three (3) years following the expiration or termination of this Agreement and any successor agreements unless Franchisee otherwise materially violates any of the obligations under this Agreement which survive expiration or termination.

(c) Sonitrol and Franchisee each also acknowledge that injunctive relief is necessary and proper to stop or prevent the wrongful disclosure of the Confidential Information and/or Dealer Information.

ARTICLE XII. RELATIONSHIP OF PARTIES

Section 12.01 Independent Contractor. Franchisee is an independent contractor with complete control and direction over its Sonitrol Business operations, subject only to the conditions and obligations established by this Agreement. No agency, employment or partnership is created by this Agreement, and Franchisee's business is separate and apart from any business Sonitrol owns or operates. Franchisee acknowledges and agrees that Sonitrol owes no fiduciary duty whatsoever to Franchisee.

Section 12.02 No Authority To Bind. Neither Franchisee nor Sonitrol will have any authority to bind the other in any capacity, and neither Franchisee nor Sonitrol will make any representation or be responsible for any of the other's obligations or expenses except as otherwise set forth herein. Neither Franchisee, its employees, nor any person performing any duties or engaged in any work at its request, shall be deemed Sonitrol's employees or agents.

Section 12.03 Identification to Public. Franchisee will identify its Sonitrol Business as an independently owned and operated Sonitrol Franchise in the manner prescribed in the Sonitrol Franchise Standards Manual. Neither Sonitrol nor its Affiliates will misrepresent to third parties that they own or are Affiliates of Franchisee.

ARTICLE XIII. INDEMNITY AND DEFENSE

Section 13.01 Sonitrol's Indemnification of Franchisee. Sonitrol agrees to indemnify, hold harmless, and at Sonitrol's sole option, defend, Franchisee and the Indemnified Parties from and against any claim, expense, loss, damage or liability (including costs and attorneys' fees as expressly provided in Section 22.08) to the extent that such claim, expense, loss, damage or liability relates to or arises out of any of the following:

(a) Sonitrol's alleged violation of any federal, state or local law, regulation, ruling or any industry standard;

(b) Franchisee's use of the Sonitrol Marks or use and/or sale of any of the Proprietary Products, in each case as contemplated by this Agreement and in strict accordance with the provisions of the Sonitrol Franchise Standards Manual, infringes the intellectual property rights of any third person; or

(c) Sonitrol's violation or breach of any of its material obligations under this Agreement;

(d) The negligent or defective manufacture of any Proprietary Product which is manufactured by Sonitrol or an Affiliate of Sonitrol, or the negligent or defective manufacturing of any Proprietary Product which results directly from Sonitrol's or Affiliate's design or specifications for such Proprietary Product; or

(e) Any negligent acts, errors or omissions of Sonitrol or any of its agents, servants, employees, officers, directors, contractors, owners, Affiliates or representatives arising under those business operations directly relating to Sonitrol Products and Services whether during or after the expiration of the Term of this Agreement for so long as Sonitrol has obligations under Section 20.03.

Section 13.02 Franchisee's Indemnification of Sonitrol. Franchisee agrees to indemnify, hold harmless, and at Sonitrol's sole option, defend, Sonitrol and the Indemnified Parties from and against any claim, expense, loss, damage or liability (including costs and attorneys' fees as expressly provided in Section 22.08) to the extent that such claim, expense, loss, damage or liability relates to or arises out of any of the following:

(a) Franchisee's violation or breach of any of its material obligations under this Agreement, the Sonitrol Franchise Standards Manual, or the Sonitrol GSA Authorized Dealer Program;

(b) Franchisee's alleged infringement or any other alleged violation of any patent, trademark, copyright or other proprietary right of a third party, except to the extent the infringement results solely from the use of the Sonitrol Marks or the Proprietary Products strictly in accordance with the terms of this Agreement and the Sonitrol Franchise Standards Manual;

(c) Franchisee's alleged violation of any federal, state or local law, regulation, ruling or any industry standard;

(d) Any misleading or untrue statements by Franchisee, or its failure to disclose facts, in connection with the execution of this Agreement or the sale of any products or services, except to the extent such statements are made with Sonitrol's express prior written authorization;

(e) Franchisee's installation or service of equipment at a Subscriber's premises, its monitoring of Subscriber Accounts and/or services provided by Franchisee to Subscribers; or

(f) Any acts, errors or omissions of Franchisee or any of its agents, servants, employees, officers, directors, contractors, owners, Affiliates or representatives related to the operation of Franchisee's business, whether during or after the expiration of the Term of this Agreement for so long as Franchise has rights under Section 20.03.

Section 13.03 Indemnified Parties. "Indemnified Parties" means Franchisee or Sonitrol, respectively, and each of their respective officers, directors, agents, employees, representatives, owners and Affiliates.

Section 13.04 Procedures. Any party seeking indemnification under this Article XIII shall give prompt written notice to the indemnifying party of the existence of any claim pursuant to which the party seeking indemnification believes that it is entitled to indemnification under this Article XIII. Such notice shall include a description in reasonable detail of the facts constituting the basis for such claim for indemnification and copies of any and all correspondence and documents relating to such claim. The failure by any party seeking indemnification to give prompt notice as provided in this Section shall not relieve the indemnifying party of its indemnification obligation under this Article XIII except to the extent that such omission results in a failure of actual notice to the indemnifying party, and the indemnifying party is materially damaged or materially prejudiced as a result of such failure to give notice. In no event shall the indemnifying party be liable for the legal fees or expenses of the party seeking indemnification if the indemnifying party undertakes the defense of such claim. The party controlling the defense of any legal proceedings shall keep the other party informed of the status of such action and the defense thereof. Neither Franchisee nor Sonitrol may settle any claim or legal proceeding without the consent of the other party, which consent shall not be unreasonably withheld or delayed. The party seeking indemnification shall cooperate with the indemnifying party fully in the defense of any claim or legal proceeding.

Section 13.05 Enforcement; Survival. Each of Sonitrol and Franchisee shall be entitled to recover the reasonable costs and expenses (including reasonable attorney's fees to the extent specifically allowed

under Section 22.08) incurred to enforce the indemnification obligations of the other party under this Article XIII to the extent the indemnifying party is obligated, but refuses, to provide indemnification. The provisions of this Article XIII shall survive the expiration or other termination of this Agreement.

ARTICLE XIV. ASSIGNMENT OF AGREEMENT

Section 14.01 Restriction on Assignment. Except as otherwise provided in this Agreement, Franchisee shall not Transfer, and shall have no right to Transfer, either (1) this Agreement or any interest in this Agreement, including any Subscriber Accounts (except for sales to another Sonitrol franchisee with exclusive rights to the territory where such Subscriber Account is located) or any other interest or right granted by this Agreement or in the Sonitrol Business, or (2) any Controlling Interest in Franchisee whether in one or a series of transactions, in either case, without Sonitrol's prior written consent which, subject to compliance with the requirements set forth in Section 14.03 of this Agreement, shall not be unreasonably withheld. The prohibition on Transfer shall not be deemed to prohibit Franchisee from granting a lien or security interest on the collateral of its Sonitrol Business, but under no circumstances shall Franchisee permit a Transfer of its interest in this Agreement. If Franchisee is a subsidiary of another entity, any Transfer of Control in Franchisee's parent, or any ultimate parent (whether by means of one or a series of more than one transactions or events) shall be considered to be a Transfer of Control. Except as otherwise provided herein, any purported Transfer without Sonitrol's prior written approval shall be null and void and shall be a breach of this Agreement.

Section 14.02 Permitted Assignments. Notwithstanding the provisions of Section 14.01 of this Agreement, the Transfers listed in Subsections 14.02(a) through (e) shall not require Sonitrol's consent, and Sonitrol will not have any rights under Article XV of this Agreement with respect to those Transfers; provided that all of the conditions set forth in this Section 14.02 are fully satisfied. The Transfers permitted under this Section are as follows:

(a) the Transfer of this Agreement to another legal entity which already Controls, or is Controlled by or an Affiliate of, Franchisee and of which Franchisee had previously notified Sonitrol of the ownership interest of such entity and Sonitrol has consented to such ownership;

(b) the Transfer of an interest, which when aggregated with all prior Transfers to such person, constitutes a Transfer of less than a Controlling Interest in Franchisee;

(c) the Transfer of a Controlling Interest in Franchisee to one or more Immediate Family Members, Key Employees or Existing Equityholders;

(d) the Transfer of a Controlling Interest in Franchisee upon the death or permanent disability of the owner of a Controlling Interest, where in each case (i) the transferees are Immediate Family Members, Key Employees, or Existing Equityholders; (ii) the transferor prior to distribution is an Immediate Family Member, Key Employee, or Existing Equityholder, and (iii) the transferees otherwise meet the requirements of a Sonitrol Franchisee as provided in the Sonitrol Franchise Standards Manual; or

(e) the Transfer of a Controlling Interest in Franchisee, whether by means of one or a series of more than one transaction or event, to a Qualified Retirement Trust, where the trustee is an Immediate Family Member, Key Employee, or Existing Equityholder and the beneficiaries are Franchisee's employees.

In order to qualify the Transfers listed in subsections (c)-(e) above for the exemption from the consent requirements of Section 14.01 of this Agreement, each of the following conditions precedent must be satisfied in full: (1) no Event of Default under this Agreement which has not been cured shall exist, and there shall be no events which but

for the giving of notice or lapse of time, or both, would constitute an Event of Default, both at the time notice of the proposed Transfer is given and at the time of the Transfer, (2) the transferee's acceptance of such Transfer and subsequent operation of the Sonitrol Business would not result in an Event of Default under this Agreement without regard to requirements for the giving of notice or lapse of time or both, (3) Franchisee must provide Sonitrol not less than thirty (30) nor more than one hundred twenty (120) days prior written notice of the proposed Transfer, including a detailed description of the proposed Transfer, all parties thereto and all terms and conditions thereof, (4) no default, or event which but for the giving of notice or lapse of time, or both, would constitute a default, exists under any other agreement between Franchisee and Sonitrol, and (5) the transferee must satisfy all of the requirements of this Agreement and the Sonitrol Franchise Standards Manual relating to new franchisees and, if it has not already done so, complete the initial training program herein provided, or such supplemental training as Sonitrol may reasonably require. Notwithstanding the above, if there is an uncured default at the time of transfer, this will not preclude the assignment if the proposed transferee agrees in writing for the benefit of Sonitrol to assume such liabilities and cure the default at the time of transfer in the event of monies owed, or within 30 days of transfer in any other case (or commence diligent efforts to cure if the default cannot be reasonably cured within 30 days).

Section 14.03 Approval Criteria. Sonitrol will consent to the Transfer of the Sonitrol Business or a Controlling Interest in Franchisee in a transaction other than one described in Section 14.02 of this Agreement provided each of the following requirements is fully satisfied:

(a) The transferee must meet the standards and requirements for a new Sonitrol Franchisee set forth in this Agreement and the then current Sonitrol Franchise Standards Manual, subject to Sonitrol's reasonable discretion;

(b) No Event of Default under this Agreement which has not been cured shall exist; there shall be no events which but for the giving of notice or lapse of time or both, would constitute an Event of Default hereunder, and no default or event which but for the giving of notice or lapse of time, or both, would constitute a default, exists under any other agreement between Franchisee and Sonitrol. Notwithstanding the above, if there is an uncured default at the time of transfer, this will not preclude the assignment if the proposed transferee is a Sonitrol Franchisee in good standing, and that transferee agrees in writing for the benefit of Sonitrol to assume such liabilities and cure the default at the time of transfer in the event of monies owed, or within 30 days of transfer in any other case (or commence diligent efforts to cure if the default cannot be reasonably cured within 30 days). For the avoidance of doubt, nothing herein shall modify Sonitrol's rights under Article XV;

(c) Franchisee has paid all outstanding amounts due under this Agreement and any other agreement with Sonitrol;

(d) Franchisee executes a mutual general release, in the form of Exhibit "I";

(e) The transferee executes an acknowledgement in a form acceptable to Sonitrol accepting the terms of this Agreement, all other agreements between Franchisee and Sonitrol (which relate to or are affected by the Transfer) and the then current Sonitrol Franchise Standards Manual; and

(f) The transferee shall have paid Sonitrol a transfer fee of Seven Thousand Five Hundred Dollars ($7,500.00).

Section 14.04 Endorsements on Ownership Certificates. If Franchisee is a corporation or Franchisee incorporates during the term of this Agreement, or Franchisee at any time issue certificates

evidencing ownership of limited liability company, partnership or beneficial interests, all certificates representing such shares or limited liability company, partnership or beneficial interests previously or subsequently issued by Franchisee shall have endorsed thereon an appropriate legend, referring to this Agreement by date and name of parties hereto, and stating, "Transfer of this certificate is limited by the Franchise Agreement," or similar language. This legend shall not be required on certificates representing publicly traded stock of Franchisee previously registered under the federal securities laws and representing less than twenty-five percent (25%) of any class of stock of Franchisee.

Section 14.05 Assignment. Sonitrol has the right to assign this Agreement and the rights hereunder, in whole or in part, to any person, or entity, provided that the transferee agrees in writing to assume Sonitrol's obligations hereunder.

ARTICLE XV. SONITROL'S RIGHT TO PURCHASE

Section 15.01 Notice of Offer. If Franchisee receives from a third party a bona fide offer to purchase any assets or interest the **Transfer** of which would require Sonitrol's consent to complete pursuant to Article XIV, and Franchisee desires to accept such offer, then before accepting the offer Franchisee agrees to offer the assets or interest (whichever is applicable) which is the subject of the purchase offer first to Sonitrol. This Article XV shall constitute an irrevocable right of first refusal in favor of Sonitrol which shall apply with regard to each Transfer subject to its approval under Article XIV. Franchisee agrees to give Sonitrol notice of the offer, which shall include a copy of the third party offer, accompanied by (if applicable) a commitment to lend from an appropriate financing source (or a term sheet or such similar document as such institution may normally provide under such circumstances), together with any amendments and other pertinent terms, information or documents referenced in such offer (all such information and documents collectively referred to as the "Purchase Offer"). If the Purchase Offer relates to a Transfer of more than the Sonitrol Business, Franchisee shall also specifically designate the price and terms of the offer as they relate to the transfer of the Sonitrol Business, any real estate relating to the facilities from which Franchisee conducts the Sonitrol Business, and any other security-related businesses which are the subject of the Purchase Offer. Sonitrol's right of first refusal shall apply to all such assets, but not to any unrelated real estate or other assets or non-security businesses. Franchisee also agrees to provide any and all other documentation which Sonitrol may reasonably request in order to evaluate the offer. If Sonitrol does not receive written notice of the Purchase Offer and the specific information and the related documentation as set forth above, then Sonitrol shall have no obligation to consider or consent to the prospective sale of the assets or interest(s).

Section 15.02 Exercise of Right. During the thirty (30) day period following Sonitrol's receipt of the Purchase Offer and all other reasonably pertinent documents and information Sonitrol may require pursuant to Section 15.01 of this Agreement (the "Option Period"), Sonitrol shall have the irrevocable option to elect to purchase or otherwise acquire the Sonitrol Business (and if applicable, the other assets) that is the subject of the Purchase Offer upon the same terms and conditions set forth in the Purchase Offer with respect to the Sonitrol Business. In order to exercise the option, Sonitrol agrees to give Franchisee written notice of the election within the Option Period. In the event Sonitrol elects to exercise the option, Sonitrol must purchase all of the assets to which the right of first refusal applies. If Sonitrol gives Franchisee notice of the election to exercise the option within the 30 days prescribed above, Sonitrol shall have a reasonable period of time (not to exceed ninety (90) days) after exercising the option to complete due diligence in connection with the purchase and to close on the transaction. If Sonitrol does not exercise the option by giving notice in writing within the Option Period, then Franchisee may sell the Sonitrol Business covered by the Purchase Offer to the offeror who extended such offer, subject to the satisfaction of the conditions to Transfer specified in Article XIV, provided (1) such interest is sold during the one hundred eighty (180) day period immediately following the expiration of the Option Period, and (2) such sale is consummated (A) at a price greater than or equal to that set forth in the Purchase Offer and (B) on the terms (including payment terms) set forth in the Purchase Offer. If Franchisee amends the Purchase Offer in any material way, this will constitute a new offer, subject anew to the provisions of this Article XV.

ARTICLE XVI. DEFAULT

Section 16.01 Events of Default. Each of the following events shall constitute an Event of Default under this Agreement:

(a) An act of insolvency by Franchisee (either voluntarily or involuntarily), an assignment for the benefit of creditors or similar disposition of assets by Franchisee, or Franchisee's filing of a petition under any bankruptcy, reorganization, insolvency or moratorium law, or any law for the relief of, or relating to, debtors;

(b) The filing against Franchisee of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law, or any law for the relief of, or relating to, debtors, or the appointment of any receiver or trustee to take possession of any of Franchisee's property, unless such petition or appointment is set aside, withdrawn or ceases to be in effect within sixty (60) days of such filing or appointment;

(c) Franchisee abandons all or any portion of the Sonitrol Business by (i) ceasing monitoring functions or (ii) ceasing sales, installation and/or servicing operations for five (5) consecutive business days; provided however, the foregoing shall not apply if any failure to operate is due to forces beyond Franchisee's control as provided in Section 22.03 of this Agreement so long as Franchisee promptly commences and diligently pursues efforts to correct the failure;

(d) A final judgment (where the time to file an appeal has expired) or the unappealed decision of any regulatory officer or agency that results in a temporary or permanent suspension of any permit or license, possession of which is a prerequisite to operation of the Sonitrol Business by Franchisee under applicable law, which judgment or suspension is not stayed or enforcement of which is not enjoined, within ten (10) days of the entry of any such judgment or decision;

(e) Franchisee's failure to pay when due any monies owed to Sonitrol or its Affiliates, under the terms of this Agreement, the Monitoring Agreement, or any agreement relating to the purchase, servicing or licensing of Central Monitoring Station hardware or software;

(f) A criminal conviction against Franchisee or any of its Manager(s), officers, directors, owners, partner(s) or principal(s) (excluding however, partners or principals who are passive investors with less than a twenty-five percent (25%) ownership interest in Franchisee prior to the offense upon which such conviction is based) for a felony offense involving morale turpitude, or any other crime which could reasonably be expected to impair substantially the goodwill associated with the Sonitrol Marks in the Exclusive Territory;

(g) Any material representation, warranty or certification made or deemed to be made to Sonitrol by Franchisee or on its behalf in connection with the execution of this Agreement, or in any certificate, accounting, report or plan that Franchisee is required to submit to Sonitrol or its Affiliates in connection with this Agreement shall prove to have been untrue or misleading as of the time made or furnished;

(h) Franchisee's failure to meet its MPRs for two consecutive calendar years;

(i) **Franchisee's breach of any material obligation or failure to observe or perform any covenant or agreement imposed on Franchisee under this Agreement** (including without limitation breach of Franchisee's obligations under Section 6.05), or any of the agreements relating to the Central Monitoring Station referred to in Subsection 4.02(d) of this Agreement;

(j) Franchisee's breach of Section 20.07 after Sonitrol has provided written notice to Franchisee that a particular Sonitrol Franchisee has been terminated; or

(k) Franchisee's repeated failure to comply with, perform or observe the lawful provisions of this Agreement, including without limitation Subsection 1.07(d) of this Agreement, whether or not such noncompliance is corrected after notice. "Repeated" as used in this Subsection 16.01(k) shall mean four (4) or more times within any twelve (12) month period.

Section 16.02 Notice and Cure. In the event Sonitrol notifies Franchisee in writing of the existence of any Event of Default, the Default Notice will specify the acts of default, the specific provision(s) of the Agreement violated, and the applicable Cure Period, if any. Franchisee will have the following Cure Periods to cure certain Events of Defaults specified in the Default Notice:

(a) In the case of an Event of Default under Subsections 16.01(a)-(d) and (j), there will be no Cure Period beyond those referenced in each of those Subsections, and termination will be effective immediately upon giving the Default Notice;

(b) In the case of an Event of Default under Subsection 16.01(e), Franchisee will have ten (10) business days after receipt of the Default Notice to pay all amounts due, together with any accrued interest, service or late fees, as applicable;

(c) In the case of an Event of Default under Subsection 16.01(f) due to a conviction or specified act relating to a Key Employee, Manager, officer or director, Franchisee may cure by promptly terminating the employment of that Key Employee, Manager, officer or director, or suspending him or her from his or her duties pending investigation; in the case of an owner or Existing Equityholder, Franchisee may cure by promptly removing him or her from any management duties and transferring his or her equity interest to another Existing Equityholder, Key Employee or Immediate Family Member, subject to compliance with Section 14.02(e) to the extent applicable;

(d) In the event that Franchisee has failed to meet its MPRs as provided in Section 6.04 (taking into account any time to cure as provided therein), Sonitrol may immediately terminate Franchisee; and

(e) In the case of any Event of Default other than those under Subsections 16.01(a)-(d), (e), and (f), Franchisee will have (without duplication of any other applicable Cure Period specified in this Agreement or any other applicable agreement) thirty (30) days to cure such Event of Default; provided, however, that if this Agreement specifies a longer or shorter Cure Period with respect to such default, such longer or shorter Cure Period, as applicable, shall apply in lieu of the thirty (30) day period expressed in this Subsection 16.02(e).

Section 16.03 Payment of Expenses. Franchisee agrees to pay all reasonable costs and expenses, including attorneys' fees and expenses to the extent authorized by Section 22.08, incurred by Sonitrol in enforcing the provisions of this Agreement.

ARTICLE XVII. TERMINATION

Section 17.01 Notice of Termination by Sonitrol. If Franchisee fails to cure any default within the relevant Cure Period, Sonitrol may elect to terminate this Agreement by sending Franchisee written notice of termination (the "Termination Notice") at least thirty (30) days prior to the effective date of the termination, or such longer period as may be required by statute. Sonitrol's election to terminate this Agreement is in addition to any other right or remedy Sonitrol may have under this Agreement, any other

agreement, at law, equity or otherwise. Notice and termination pursuant to this Section will be considered a termination by Sonitrol "for cause." Notwithstanding the foregoing, and unless notice is required by law, if termination is based upon the violation of Subsections 16.01(a)-(d), there will be no delay required beyond the applicable Cure Period referenced in each of those Subsections, and termination will be effective immediately upon giving the Termination Notice.

Section 17.02 Franchisee's Obligations Upon Termination. Upon termination under this Article XVII or expiration at the end of the Initial Term or Renewal Term under Sections 2.01 and 2.03, Franchisee will:

(a) Within ten (10) days after the effective date of the termination, assign to Sonitrol all of Franchisee's right, title and interest in and to all customer or public communication media which are published in conjunction with or are associated with any of the Sonitrol Marks, including but not limited to (i) published telephone numbers (excluding transmission lines associated with monitoring Subscriber equipment); (ii) Internet websites/domains and email addresses; and (iii) all other directories used in connection with the Sonitrol Business (*e.g.* Yellow Pages); and

(b) Comply fully with the applicable post-termination obligations in Article XVIII.

If Franchisee fails to comply fully with the requirements of this Section 17.02 and Article XVIII within the times, if any, prescribed therein, then in addition to any other rights or remedies Sonitrol may have, Franchisee also acknowledges and agrees that (i) Sonitrol will have the immediate right to seek injunctive relief and (ii) Franchisee shall comply with the non-compete provisions of Subsection 20.02 of this Agreement.

Section 17.03 Power of Attorney. Franchisee hereby irrevocably appoints Sonitrol to act in Franchisee's stead as attorney-in-fact, and grants Sonitrol full legal authority to transfer and assign all of Franchisee's right, title and interest in any telephone numbers, telephone directories (including any Internet websites or domains and email addresses) or other documents, contracts or other media described in Section 17.02 of this Agreement, as are necessary to effectively complete the transfers therein contemplated. Franchisee also agrees to execute promptly any other documents Sonitrol may reasonably request to accomplish these transfers or perfect this power of attorney.

ARTICLE XVIII. POST-TERMINATION OBLIGATIONS

Section 18.01 Certain Obligations Franchisee has on Expiration or Termination of this Agreement. In the event this Agreement expires at the end of the Initial Term or at the end of the Renewal Term or the Agreement is terminated by reason of an Event of Default or otherwise, Franchisee agrees to do each of the following:

(a) Franchisee will immediately remove the Sonitrol Marks from the Sonitrol Business and each Authorized Facility, and cease using, all signs, stationary, business cards, forms, slogans, and other materials bearing any of the Sonitrol Marks, including Internet websites, domain names or email accounts. With regard to products with permanent or embossed Sonitrol Marks, Franchisee agrees to conceal completely such Sonitrol Marks through decals or other means acceptable to Sonitrol. Notwithstanding, Franchisee will not be required to substitute the forms for existing Subscriber Account Contracts, whether or not such forms contain the Sonitrol Marks until such time as the contracts are renewed or modified.

(b) Upon Sonitrol's request, Franchisee will mail to all Subscriber Accounts a registered letter, in content approved by Sonitrol, return receipt requested to Sonitrol, informing the Subscribers that Franchisee is no longer authorized or licensed to operate under the

Sonitrol Marks and requesting that the Subscribers remove all signs, decals or other materials bearing any of the Sonitrol Marks from their premises. This mailing is to be completed within thirty (30) days from the date it is requested by Sonitrol. To protect Franchisee's Confidential Information (including, Franchisee's customer lists), Sonitrol will allow Franchisee to the use an independent third party to handle or confirm all mailings as required hereunder, all at Franchisee's expense, subject in all respects to Sonitrol rights under Section 11.03(b).

(c) Within six (6) months from the date of the expiration or termination of this Agreement, Franchisee will use commercially reasonable efforts to remove all signs, decals, or other materials bearing any of the Sonitrol Marks from the premises of its Subscriber Accounts; subject however, to Franchisee's rights under Section 20.03, and in such event, promptly upon termination or expiration of each such Subscriber Account.

(d) Franchisee will promptly pay to Sonitrol and its Affiliates all sums Franchisee owes to Sonitrol under this Agreement or any other agreement Franchisee has with Sonitrol or its Affiliates.

(e) Franchisee will return to Sonitrol all of Sonitrol's Confidential Information, including the Sonitrol Franchise Standards Manual within ten (10) days of the expiration or termination of this Agreement.

(f) Franchisee will cancel all assumed name or equivalent registrations relating to the use of any of the Sonitrol Marks, notify within thirty (30) days the telephone service provider and all listing agencies of the termination or expiration of Franchisee's right to use the Sonitrol Marks and classified and other directory listings (including any Internet websites or domains and email addresses) utilizing any Sonitrol Marks, and authorize and cause the telephone service provider and listing agencies to transfer to Sonitrol, or Sonitrol's designee, all telephone number(s) (but, excluding transmission lines associated with monitoring Subscriber equipment) and listings, and not to renew Franchisee's listings or advertising using any Sonitrol Marks in future listings.

(g) Franchisee will comply with and be bound by all applicable provisions of this Agreement which survive expiration or termination, including, but not limited to, provisions relating to non-disclosure of Confidential Information and protection of trade secrets, non-competition, nonsolicitation and indemnification.

(h) Franchisee will not purchase or otherwise obtain, directly or indirectly, from any person or entity any Sonitrol Products and Services not already in its possession as of the date of the expiration or termination of this Agreement, except to the extent expressly authorized by Sonitrol in writing or by this Agreement. Franchisee will not, and will have no right to, install any new or additional Sonitrol Products and Services, or repair, replace or service any Sonitrol Products and Services at any Subscriber Account except as otherwise provided under Section 20.03 of this Agreement.

(i) Except as otherwise provided under Section 20.03 of this Agreement, franchisee will not sell any Sonitrol Products and Services.

Notwithstanding anything to the contrary herein, Sonitrol acknowledges Franchisee's ownership of the Subscriber Accounts and rights to maintain, monitor and provide service to such customers following expiration of this Agreement. Provided that Sonitrol does not use Dealer Information, nothing herein shall be construed to limit or restrict Sonitrol's ability to freely solicit such Subscriber Accounts and customers of Franchisee upon the expiration or termination of this Agreement.

Section 18.02 Purchase of Products by Sonitrol. Upon termination or expiration of this Agreement, Franchisee may require Sonitrol to purchase from Franchisee all unused inventory constituting physical Sonitrol Products and Services purchased from an Approved Vendor, and all stocks of unused supplies and materials bearing Sonitrol Marks purchased from Sonitrol, provided that (1) such inventory, supplies and materials are unused, in saleable condition, and then currently being sold by Sonitrol for new installations, and (2) the purchase price shall be the lesser of the actual cost and the then current fair market value thereof (as reasonably determined by Sonitrol). In connection with any such purchase, Sonitrol may offset against the purchase price any monies Franchisee owes to Sonitrol or its Affiliates under this Agreement or any other agreement between Franchisee and Sonitrol or its Affiliates.

Section 18.03 Right of First Refusal Post-Termination. In addition to any other right which Sonitrol may have, at any time during the 365 days following the effective date of a termination of this Agreement ("Option Period") due to an Event of Default of Franchisee, if Franchisee receives from a third party a bona fide offer to purchase any assets or interest of Franchisee and Franchisee desires to accept such offer, then before accepting the offer, Franchisee agrees to offer the assets or interest (whichever is applicable) which is the subject of the purchase offer first to Sonitrol. This Section 18.03 shall constitute an irrevocable right of first refusal in favor of Sonitrol.

(a) Franchisee agrees to give Sonitrol notice of the offer, which shall include a copy of the third party offer, accompanied by (if applicable) a commitment to lend from an appropriate financing source (or term sheet or such similar document as such institution may normally provide under such circumstances), together with any amendments and other pertinent terms, information or documents referenced in such offer (all such information and documents collectively referred to as the "Purchase Offer"). If the Purchase Offer relates to a Transfer of more than that portion of the business which included the Sonitrol Business during the term of this Agreement (the "Offered Business"), Franchisee shall also specifically designate the price and terms of the offer as they relate to the transfer of the Offered Business, any real estate relating to the facilities from which Franchisee conducts the Offered Business, and any other security-related businesses which are the subject of the Purchase Offer. Sonitrol's right of first refusal shall apply to all such assets, but not to any unrelated real estate or other assets or non-security businesses. Franchisee also agrees to promptly provide any and all other documentation which Sonitrol may reasonably request in order to evaluate the offer.

(b) During the thirty (30) day period following Sonitrol's receipt of the Purchase Offer and all other reasonably pertinent documents and information Sonitrol may require pursuant to this Section 18.03 (the "Option Period"), Sonitrol shall have the irrevocable option to elect to purchase or otherwise acquire the Offered Business (and if applicable, the other assets) that is the subject of the Purchase Offer upon the same terms and conditions set forth in the Purchase Offer. In order to exercise the option, Sonitrol agrees to give Franchisee written notice of the election within the Option Period. In the event Sonitrol elects to exercise the option, Sonitrol must purchase all of the assets to which the right of first refusal applies. If within the 30 days prescribed above Sonitrol gives Franchisee notice of Sonitrol's election to exercise the option , Sonitrol shall have a reasonable period of time (not to exceed ninety (90) days) after exercising the option to complete due diligence in connection with the purchase and to close on the transaction. If Sonitrol does not exercise the option by giving notice in writing within the Option Period, then Franchisee may sell the Offered Business to the offeror who extended such offer, provided (1) such interest is sold during the one hundred eighty (180) day period immediately following the expiration of the Option Period, and (2) such sale is consummated (A) at a price greater than or equal to that set forth in the Purchase Offer, and (B) on the terms (including payment terms) set forth in the Purchase Offer. If Franchisee amends the Purchase Offer in any material way, this will constitute a new offer, subject anew to the provisions of this Section 18.03 even though the original Option Period has expired.

Section 18.04 Option to Purchase Post Termination or Expiration. In addition to any other right which it may have, within sixty (60) days following the termination or expiration of this Agreement, Sonitrol shall have the option (but not the obligation unless otherwise required by applicable state law) to purchase from Franchisee all rights to the National Account Subscribers owned by Franchisee for an amount equal to fair market value determined by a reasonable multiple of RMR consistent with the market conditions at such time for comparable accounts; provided that, in no event will the multiple of RMR be less than 24. Any purchase under this Section 18.04 shall be closed within thirty (30) days of the exercise of the option and completion of due diligence and appraisals at a location designated by Sonitrol.

ARTICLE XIX. DEALER ADVISORY COUNCIL

Section 19.01 Establishment/Support. Sonitrol will establish and use reasonable commercial efforts to support and maintain a Dealer Advisory Council (the "DAC") to facilitate communication between Sonitrol and Sonitrol Franchisees. Sonitrol will provide the DAC with reasonable financial and logistical support to help it reasonably perform its functions under this Agreement. The DAC will have no more than nine (9) elected members, each of whom shall be an individual who either owns a Sonitrol Franchise or is a Manager/officer and Equityholder of a Sonitrol Franchisee which is a legal entity. DAC members will be elected by Sonitrol Franchisees in the Sonitrol Franchise System, and the DAC will otherwise operate, in accordance with procedures, bylaws or operating guidelines that Sonitrol provides for the operation of the DAC. On a periodic basis Sonitrol may consult with and consider the advice of the DAC related to the Sonitrol System. While Sonitrol may consult with and consider the advice of the DAC, Sonitrol retains the right to make all decisions in its sole reasonable discretion, except that Sonitrol shall be required to obtain DAC consent, which will not be unreasonably withheld or delayed, for (i) the establishment of a System Advertising Fund and for establishing operating guidelines for administering such Fund, and (ii) approval of National Account Contracts which fail to materially conform with the then-current parameters and guidelines for National Account Contracts or does not otherwise meet the definition of a National Account. Notwithstanding the foregoing, any potential National Account Customer with locations within the territories of five (5) or fewer Sonitrol franchisees need not be referred to the DAC for review, but Sonitrol may negotiate directly with each such affected Sonitrol franchisee regarding the potential National Account Customer. The DAC shall be required to respond to a request for approval of a National Account Contract no later than the date provided in such submission; provided however, that in no event will the date for response be shorter than forty-five (45) days from the date of submission to the DAC.

Section 19.02 No Conflicts. Individual DAC members will at all times remain free of conflicts of interest and conduct themselves in accordance with the highest ethical standards. DAC members will not receive any compensation or consideration of any type from Sonitrol, Franchisee, or any other Sonitrol Franchisee or vendor to the Sonitrol Franchise System (or an Affiliate of any of the foregoing) which relates to or arises from his or her duties as a DAC member. If any DAC member has any direct interest in any matter being considered by the DAC, or is in any way affiliated with a relevant party, that member must disqualify himself or herself and not participate in the proceedings. This will not apply to any matter where a DAC member has a general interest in the subject matter, similar to that of any Sonitrol Franchisee.

ARTICLE XX. COVENANTS NOT TO COMPETE/ABILITY TO OPERATE

Section 20.01 Non-Competition During Term. During the term of this Agreement, Franchisee shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is Competitive with the Sonitrol System. For purposes of this Section 20.01 only, the term "Franchisee" shall include all entities owned in whole or in part by Franchisee, all of Franchisee's parent

corporations, all Immediate Family Members, all Key Employees, all of Franchisee's owners, and all of Franchisee's Affiliates.

Section 20.02 Non-Competition Upon Termination. Except as expressly provided in Section 20.03, in the event that this Agreement is terminated or expires for any reason, for a period of two (2) years following the effective date of such termination or expiration, Franchisee agrees that it will not, directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is Competitive with the Sonitrol System (except in a territory where Franchisee is the franchisee under a separate Franchise Agreement with Sonitrol), within the Exclusive Territory and any area within one hundred (100) miles of the outside boundaries of the Exclusive Territory; provided however, Franchisee may continue to monitor and service Subscriber Accounts in accordance with Section 20.03 of this Agreement. For purposes of this Section 20.02 only, the term "Franchisee" shall include all entities owned in whole or in part by Franchisee, all of Franchisee's parent corporations, all Immediate Family Members, and holders of 25% or more of Franchisee's (or its Affiliate's) equity ownership.

Section 20.03 Ability to Operate Business. Except as otherwise provided below, it is Sonitrol's and Franchisee's mutual intent that Franchisee will be allowed to continue to operate a security-related business that is not Competitive in the event this Agreement is terminated or expires, including the right to monitor accounts using Franchisee's Central Monitoring Station, or to have accounts monitored by Sonitrol or another Sonitrol franchisee approved in writing by Sonitrol, which shall not be unreasonably withheld. Franchisee acknowledges that upon termination or expiration of this Agreement, Franchisee ceases being a Sonitrol Franchisee and Franchisee will have no right to continue to use the Sonitrol Marks in any fashion, to refer to the Sonitrol Marks or Sonitrol System, or in any way to continue to use Confidential Information except for the limited purpose of operating, and solely to the extent necessary to operate, its Central Monitoring Station. Neither Sonitrol nor its Affiliates will be under any obligation to sell or provide Franchisee, and no Sonitrol Franchisee shall be permitted to provide Franchisee, with any replacement parts, new equipment, or any other equipment, goods, services or support of any kind; provided however, if (1) this Agreement expired (rather than terminated due to an Event of Default), (2) Franchisee pays in full any remaining amounts owed to Sonitrol or its Affiliates for its Central Monitoring Station, (3) Franchisee continuously complies with all of its post-term obligations in Section 18.01, (4) Franchisee pays all license and service fees to Sonitrol on or before the payment date, and (5) Franchisee otherwise complies with the terms of the applicable licensing agreement for its Central Monitoring Station, Sonitrol agrees to provide Central Monitoring Station software and monitoring support service to Franchisee for a period of five (5) years following expiration of this Agreement. Sonitrol agrees not to install in the Central Monitoring Station software an expiration function or license key that would render the software unusable due to the passage of time so long as Franchisee has rights under this Section 20.03. If this Agreement is terminated due to an Event of Default, no software, software upgrades, or monitoring support service will be provided to Franchisee post-termination under any circumstances. Nothing herein is intended to interfere with Franchisee's right to continue to contract with such customers for products which are not Competitive in accordance with the non-compete provisions of this Agreement. Sonitrol has the right, upon reasonable prior notice to Franchisee, to audit, or cause to be audited, the Franchisee's business records solely for the purposes of confirming Franchisee's compliance with its post-term obligations under this Section 20.03. Franchisee agrees to cooperate fully with such audit and provide all information reasonably requested. Sonitrol may terminate Franchisee's rights and Sonitrol's obligations under this Section 20.03 with 60 days written notice to Franchisee for Franchisee's failure to materially comply with the provisions hereof.

Section 20.04 Diversion of Business. During the term of this Agreement, and except for Complementary Products and Services if Franchisee has not exercised its right to Opt Out under Section 4.04, Franchisee agrees that it will not divert or attempt to divert any Subscriber Account or Sonitrol Business to any other competing business, by direct or indirect inducement or otherwise. Further, if Sonitrol or its Affiliates refer a sales lead for a new Subscriber to Franchisee, any (1) Affiliate of Franchisee or (2) Franchisee which exercised its right to Opt Out under Section 4.04 of this Agreement, may not offer and sell to such Subscriber any products other than Sonitrol Products and Services, unless otherwise permitted by Sonitrol in writing.

Section 20.05 Injunctive Relief. Franchisee acknowledges that any breach of the covenants set forth in this Article XX will cause Sonitrol irreparable harm, the exact amount of which may not be reasonably or accurately ascertained and could not be adequately compensated by money damages. Therefore, Franchisee agrees that Sonitrol is entitled to injunctive relief in the event of any such breach, in addition to any other relief or remedy to which Sonitrol is entitled. To the extent allowed by law, Franchisee waives the requirement that Sonitrol post a bond. Furthermore, Franchisee expressly acknowledges and agrees that the provisions of this Article XX are reasonable under the circumstances and constitute reasonable and necessary protections of the interests of Sonitrol, and Franchisee hereby waives any right Franchisee may have to challenge the same. In the event that a court of competent jurisdiction determines that any of the provisions of this Article XX would be unenforceable as written because they cover too extensive a geographic area, too broad a range of activities, or too long a period of time, or otherwise, then such provisions shall automatically be modified to cover the maximum geographic area, range of activities and period of time as may be enforceable, and in addition, such court is expressly authorized so to modify this Agreement and to enforce it as so modified. No invalidity or unenforceability of any section of this Agreement or any portion thereof shall affect the validity or enforceability of any other section or the remainder of such section.

Section 20.06 Application to Others. Sonitrol may require Franchisee, in which event Franchisee agrees, to obtain agreements from the following individuals to adhere to the provisions of Section 20.01 and Section 20.02 (to the extent applicable): any officer, Manager, general partner, managing member, Key Employee, Immediate Family Member, or Existing Equityholder of Franchisee, as well as any owner of twenty-five percent (25%) or more of the ownership interests in Franchisee or the Sonitrol Business.

Section 20.07 Former Franchisees. Franchisee agrees not to knowingly provide any monitoring services or replacement parts, equipment (new or used), software support or upgrades or any other equipment, goods, service releases or repairs, services or support of any kind to a former Sonitrol franchisee, dealer or distributor, except as may be expressly permitted under the agreement between such former Sonitrol franchisee and Sonitrol, or otherwise permitted by Sonitrol in writing.

ARTICLE XXI. TRADEMARKS

Section 21.01 License. During the Term of this Agreement, Franchisee is hereby granted a limited, non-exclusive license to use the Sonitrol Marks solely in connection with the operation of the Sonitrol Business within the Exclusive Territory, subject to the provisions of this Agreement and the Sonitrol Franchise Standards Manual. During the Term of this Agreement, Sonitrol agrees that it will not require Franchisee to stop use of the "Sonitrol" name.

Section 21.02 Ownership of Sonitrol Marks. Franchisee understands and agrees that this Agreement confers upon Franchisee no proprietary right, title or interest in any of the Sonitrol Marks or in the Sonitrol System, but only the right to the use of the Sonitrol Marks during the term of this Agreement and in accordance with the provisions of this Agreement and the Sonitrol Franchise Standards Manual. Further, Franchisee agrees that Franchisee shall not do any of the following:

(a) permit, authorize, license or approve others to use the Sonitrol Marks for any purpose;

(b) affix or relate the Sonitrol Marks to any product or equipment which was not purchased from Sonitrol or its designees, unless such products or equipment constitute Complementary Products and Services for which Sonitrol has given Franchisee written authorization to label such product with the Sonitrol Marks, or such labeling is expressly permitted under the Sonitrol Franchise Standards Manual;

(c) register or attempt to register the Sonitrol Marks, or any trademarks or servicemarks which are confusingly similar to any of the Sonitrol Marks, in Franchisee's name or that of any other firm, person or entity, and shall not directly, or indirectly, contest or aid in

contesting the use, ownership or rights of Sonitrol in and to any of the Sonitrol Marks or Sonitrol's trade secrets or business techniques; or

(d) except as otherwise provided in the Sonitrol Franchise Standards Manual, establish an Internet domain name or an Internet website containing the word "Sonitrol", any other Sonitrol Mark, or any trademarks or servicemarks which use or are confusingly similar to "Sonitrol" or any of the Sonitrol Marks. If Franchisee is an Existing Franchisee and has a website as of the date of this Agreement, Franchisee must provide the "http" address on the signature page of this Agreement. Franchisee is authorized to continue the use of such website and/or domain name during the term of this Agreement, provided Franchisee supports, updates and maintains such site and/or domain name in accordance with the provisions of the Sonitrol Franchise Standards Manual.

Section 21.03 Infringement. Franchisee agrees to use its best efforts to notify Sonitrol promptly of any unauthorized use of the Sonitrol Marks of which Franchisee becomes aware which is a violation of this Agreement or the standards and procedures prescribed by Sonitrol with respect to the use of the Sonitrol Marks or any suspected or actual infringement of or challenge to the validity of Sonitrol's ownership of and rights to any of the Sonitrol Marks.

Section 21.04 Enforcement. Franchisee acknowledges that Sonitrol shall, in its sole discretion, institute proceedings or defend proceedings as Sonitrol shall deem fit and that Sonitrol alone has the right to control any administrative or judicial proceeding or litigation involving the Sonitrol Marks. If Sonitrol undertakes the defense or prosecution of any proceeding relating to the Sonitrol Marks, Franchisee agrees to execute any and all documents and to do whatever acts and things as may, in Sonitrol's opinion be reasonably necessary or advisable to carry out the defense or prosecution of such proceeding; provided, however, Sonitrol agrees to reimburse Franchisee for its reasonable out of pocket costs incurred with Sonitrol's prior written approval. Franchisee shall not, under any circumstances whatsoever, institute legal proceedings relating to the Sonitrol Marks except as permitted under Section 1.09 of this Agreement to enforce its rights to use the Sonitrol Marks within the Exclusive Territory.

Section 21.05 Goodwill. Franchisee acknowledges that all goodwill which may arise from use of the Sonitrol Marks and of the Sonitrol System, as between Franchisee and Sonitrol, is and shall at all times remain Sonitrol's sole and exclusive property and shall inure to Sonitrol's sole benefit. At the expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to the goodwill associated with Franchisee's use of the Sonitrol Marks and the Sonitrol System. Notwithstanding the foregoing, the goodwill referred to in this Section does not include the value of the Sonitrol Business derived from Franchisee's own business activities.

ARTICLE XXII. MISCELLANEOUS PROVISIONS

Section 22.01 No Waiver. No delay or failure to **exercise** a right, power or remedy with regard to any breach, violation or default of or under this Agreement shall impair either party's rights or remedies under this Agreement, and shall not be construed to be a waiver of, or acquiescence to, any breach, violation or default. Any waiver of any single breach, violation or default shall not be deemed a waiver of any other breach, violation or default. Any waiver, permit, consent or approval of any kind or character one party's part of any breach, violation or default under this Agreement, or any waiver by a party of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically allowed by such writing. All references to "breach," "violation," or "default" in this Agreement shall mean one and the same, and no inference should be made as to the use of one such term over the other.

Section 22.02 Remedies Cumulative. All rights and remedies afforded either Franchisee or **Sonitrol**, either under this Agreement or by law, equity or otherwise, are cumulative and not alternative.

Section 22.03 Forces Beyond Party's Control. Neither party to this Agreement will be held liable to the other for failure to comply with any of the terms of this Agreement when such failure has been caused solely by forces beyond the parties' respective control and without fault on the part of the party claiming relief by reason of this provision, such as fire, labor dispute, strike, war, insurrection, riot, flood, government restrictions, or acts of God; provided however, that in no event shall such extension of time exceed ninety (90) days without the express written consent of the other party hereto. Each party will have a duty to work diligently to minimize the effects of such acts and any harm or damage that may be caused thereby.

Section 22.04 Consequential Damages. Sonitrol and Franchisee both agree that the nature of this relationship is one of contract. To the extent permissible by law, neither Franchisee nor Sonitrol will be liable to the other for any incidental, punitive, special, exemplary, speculative or consequential damages, including lost future profits due to the enforcement, breach or termination of this Agreement.

Section 22.05 Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, delivered by overnight mail, or mailed by certified mail, return receipt requested, to the respective parties at the addresses listed below, or at such other address or addresses designated by the parties in writing:

SONITROL:	Stanley Convergent Security Solutions, Inc. 8350 Sunlight Drive Fishers, Indiana 46037 Attention: Director of Franchise Relations, West
With a copy to:	Stanley Black & Decker, Inc. Attention: General Counsel 1000 Stanley Drive New Britain, CT 06053
FRANCHISEE:	_____ _____ _____ _____

Notice shall be deemed to have been received on (1) the date of delivery, if delivered by hand, (2) the next business day if delivered by a recognized overnight carrier, or (3) on the third business day from the date of mailing, if delivered by certified mail, return receipt requested.

Section 22.06 Effective Date. This Agreement shall be effective and binding as of the Effective Date.

Section 22.07 Governing Law. This Agreement, will be construed and interpreted in accordance with the substantive laws of the State of Delaware, without reference to its conflicts of law principles. To the extent that this Agreement contains provisions regarding notice periods, termination, non-renewal or the like, which are not consistent with applicable law, such provisions shall, to the extent they are inconsistent with applicable law, not be effective, and the applicable law shall apply in their place. Franchisee consents to jurisdiction and venue in the United States District Court for the District of Delaware for the purposes of any legal proceeding relating to this Agreement or the Sonitrol Business. The parties agree to service of process in any manner provided for by the laws of the State of Delaware.

Section 22.08 Dispute Resolution Process. Except as provided in Section 22.08(d), the following process shall be followed:

(a) In the event of any dispute relating to or arising out of the interpretation or enforcement of this Agreement or breach thereof, Franchisee and Sonitrol agree that prior to instituting any other dispute resolution process, each party will make a good faith attempt to resolve

the dispute informally through meetings and direct negotiations between executives who have authority to settle the dispute. Either party may initiate this process by giving written notice to the other party of the nature of the dispute, the party's position, its election to initiate this process and the person to conduct the negotiations on behalf of the party giving notice. The other party agrees to respond promptly and both parties agree to negotiate in good faith to attempt to resolve the dispute.

(b) In the event the parties have not resolved the dispute within sixty (60) days of initiation of the negotiation process required under Subsection 22.08(a), the parties agree to attempt to resolve the dispute through mediation in accordance with this Subsection 22.08(b). Either party may initiate mediation of the dispute with JAMS, The Resolution Experts ("JAMS"), an independent, non-profit, organization the main office of which is at 345 Park Avenue, New York, New York 10154 (telephone 212-751-2700) or its successor. The mediation shall be held in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. The parties will pay their own expenses associated with the mediation; provided, however, the fees associated with the mediator will be shared equally. The mediation proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law), and shall be deemed to be for settlement purposes only. The mediation shall be held within sixty (60) days of the initiation of the mediation process. The mediation prescribed by this provision shall be a condition precedent to the commencement of arbitration under Subsection 22.08(c).

(c) If no settlement of the dispute is reached through the mediation process within ninety (90) days of the appointment of the mediator, the parties agree, except as provided in Subsection 22.08(d), the exclusive way to resolve all disputes shall be by arbitration by a sole arbitrator in accordance with JAMS Arbitration Rules and Procedures, and judgment on the arbitration award rendered may be entered in any court having jurisdiction. The arbitration proceeding shall take place in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. Either party may initiate the arbitration proceeding with an appropriate filing with the JAMS Arbitration Rules and Procedures. The arbitrator shall be selected by mutual agreement of the parties; provided however, in the event the parties are unable to agree upon an arbitrator within thirty (30) days of the first proposal of a list of names of potential arbitrators, either party may apply to JAMS Arbitration Rules and Procedures for selection of an arbitrator and the arbitrator selected by or in accordance with JAMS Arbitration Rules and Procedures shall be the arbitrator. The arbitrator shall allow and determine reasonable discovery and required information sharing among the parties. The arbitrator shall be neutral, impartial, independent of the parties and others having any known interest in the outcome, shall abide by the JAMS Arbitration Rules and Procedures and shall have no ex parte communications about the dispute with any party. The arbitrator shall render his/her decision within one hundred eighty (180) days of appointment. Any award rendered by the arbitrator shall be final, conclusive and binding on the parties, and shall have the effect of a common law arbitration, and there shall be no right of appeal therefrom. In addition to any other award, the prevailing party will be entitled to recover reasonable costs and attorney fees related to the arbitration, enforcement of this arbitration provision and/or enforcement of any arbitration award. The arbitrator shall not be entitled to award punitive, special, exemplary or any similar type of damages under any circumstances. The arbitration proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law).

(d) The dispute resolution provisions contained in this Section 22.08 shall constitute the sole and exclusive method for resolving the disputes between the parties except in the following cases:

(1) As may be necessary to preserve the status quo, to protect proprietary information or confidential trade secrets, to prevent irreparable harm, to enforce defaults arising solely out of Franchisee's failure to pay amounts due to Sonitrol, disputes where the total amount in controversy is less than $25,000, or to compel enforcement of Article XX or this Section 22.08. This Section is not a condition to, and does not preclude Sonitrol from, exercising rights to declare an Event of Default and terminate this Agreement, nor does this provision relieve Franchisee from performing its obligations following expiration or termination of this Agreement. Franchisee consents to the jurisdiction and venue of the United States District Court for the District of Delaware in any dispute in which injunctive relief is sought as provided in this Subsection 22.08(d).

Section 22.09 Effect of Partial Invalidity. If any covenant, condition, term or provision contained in this Agreement is held or finally determined to be invalid, illegal or unenforceable in any respect, in whole or in part, such covenant, condition, term or provision shall be severed from this Agreement, and such provision shall be replaced by a valid one which reflects as much as possible the original intentions of the parties hereto. All remaining covenants, conditions, terms and provisions contained herein shall continue in full force and effect, and shall in no way be affected, prejudiced or disturbed thereby.

Section 22.10 Entire Agreement. This Agreement, together with any documents signed by both of the parties hereto at the same time as this Agreement, and any agreements or policies herein referenced and incorporated into this Agreement: (i) constitutes the entire agreement between both of the parties hereto and contains all of the terms, conditions, rights and obligations with respect to the subjects covered herein, and (ii) supersedes and cancels any prior oral or written statements, representations, promises, agreements or any other term between Franchisee or anyone acting on Franchisee's behalf and Sonitrol or anyone acting on its behalf, and that no reliance is being or will be placed on any such written or oral communications. Nothing in this or in any related agreement, however, is intended to disclaim the representations made in the franchise disclosure document that was furnished to you by Sonitrol. Except as specifically provided in this Agreement, no change, modification, amendment or waiver of any of the provisions hereof will be effective or binding upon either of the parties to this Agreement unless it is in writing and signed by both parties hereto.

Section 22.11 Existing Sonitrol Franchisees. If Franchisee is currently an existing Sonitrol Franchisee, and by signing this Agreement Franchisee and Sonitrol both agree that Franchisee's existing Sonitrol Franchise Agreement dated _____, ____ (the "Existing Franchise Agreement") is hereby terminated as of the Effective Date. Such termination will not relieve either party thereto of the obligation to pay any amounts currently due as of the Effective Date under the Existing Franchise Agreement.

Section 22.12 Survival of Provisions. The terms and provisions of this Agreement that by their sense and context are intended to survive the expiration or termination of this Agreement shall so survive such expiration or termination, including, without limitation, this Section 22.12, nondisclosure of Confidential Information, nondisclosure of Dealer Information, protection of trade secrets, noncompetition, indemnification provisions, and Sections 17.02 and 17.03 of this Agreement, and Articles XI, XIII, XVIII, XX and XXI of this Agreement.

Section 22.13 Obligation of Good Faith. Each of the parties to this Agreement agrees that it has an obligation of good faith in its performance of the Agreement and its enforcement of the Agreement. Each party agrees that the term "good faith", as used in this Agreement, means honesty in fact and the observance of reasonable commercial standards of fair dealing. Each party agrees that it will follow the principles set forth in this Section 22.13 when it exercises discretion in the performance of its obligations or the exercise or enforcement of its rights under this Agreement and that it will not act in such a manner so as to unfairly deny the other party's rights or benefits under this Agreement. Where a party is required to obtain the other party's consent under this Agreement, such consent will not be unreasonably withheld or delayed.

Section 22.14 Currency. All payments due under this Agreement will be in U.S. dollars.

IN WITNESS WHEREOF, each undersigned individual, in his/her individual and/or representative capacity, having read each and every provision of this Agreement and agreeing to the same, and to this Agreement as a whole, executes this Agreement and represents that he/she has the full authority to bind the party upon whose behalf he/she is signing to all of the terms of this Agreement.

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.

ATTEST:

By: _____

Name: _____

_____ Title: _____

FRANCHISEE: _____

d/b/a Sonitrol of _____

ATTEST:

By: _____

Name: _____

_____ Title: _____

http://www._____

List of Exhibits:

A -- Exclusive Territory

B -- Subscriber Accounts Owned by Others in the Exclusive Territory

C -- Subscriber Accounts Owned by Franchisee Outside of the Exclusive Territory

D -- Mutual Release on Renewal

E -- Current Lines of Complementary Products and Services

F -- Business Plan

G -- Existing Equityholders

H -- Key Employees

I -- Mutual Release on Transfer

J -- List of Controlled Products

K -- List of Proprietary Products

List of Schedules:

Schedule 1 – Calculation of Royalty Increases

EXHIBIT E

April 2020

COMPLEMENTARY PRODUCT LIST - APPROVED PRODUCTS

Intrusion Sensors

- Sentrol/InterLogic
- GRI
- Optex
- Potter
- Aleph
- C&K
- Protection Technologies
- Pyramid
- Amseco
- Moose
- Ademco
- Honeywell
- DMP
- DSC
- United Security
- Napco
- Bosch

Wireless Devices

- Inovonics
- Linear
- Visonic

Access Systems (non-Sonitrol)

- Linear (eMerge & Secured Series)
- S2
- KeyScan
- Keri Systems
- 3xLogic
- Bosch

General & Miscellaneous

- Telguard
- AlarmNet
- Altronix
- Ditek
- PowerSonic
- Yuasa
- Duracell
- Wireless Innovations

Wire & Cable

- Contractors Wire
- Genesis
- Coleman Cable
- Belden

ID Badging

- Datacard
- Fargo
- HID
- NESC

Gates/Intercoms

- Aiphone
- Linear
- DoorKing
- Aegis
- Mircom
- Trigon
- Loure
- Viking

Industrial Process & Environmental Devices

- Winland

Fire Alarm Detection Devices

- Firelite
- System Sensor
- Potter
- Safety Technology
- DMP
- Bosch

Fire Alarm Notification Devices

- Firelite
- System Sensor
- Wheelock
- Gentex
- DMP
- Bosch

Fire Alarm Control Panels/Systems

- Firelite
- Silent Knight
- DMP
- Mircom
- Edwards
- Bosch

Access Peripherals

- HID
- Securitron
- Foldger Adams
- Rutherford
- SDC
- Dynalock
- Cansec
- Honeywell
- Essex
- Corby
- HES
- Mircom
- L-1
- Von Duprin
- Schlage
- Kantech
- Bosch
- 3MillID
- Best Locks
- Ingersoll Rand
- Stanley

CCTV

- Sony
- Panasonic
- Bosch
- Dedicated Micros
- OzVision
- Optex
- Pelco
- Axis
- Speco
- Honeywell
- Digital Watchdog
- Everfocus
- Exacq
- Videofied
- SuperCircuits
- IC Realtime
- Aercont
- Samsung
- Milestone
- I-Inc
- Avigilon
- 3xLogic

COMPLEMENTARY PRODUCT LIST - APPROVED PRODUCTS

Descriptions:

Intrusion Sensors - (door contacts, motion detectors, photo beams, hold-up buttons, non-Sonitrol panels (Opt-In), etc.)

Wireless Devices

Access Systems - (Non-Sonitrol)

Access Peripherals - (readers, locks, exit motions, exit buttons, etc)

ID Badging

Gates & intercoms - (door release systems, gate systems, intercoms, etc.

Industrial Process & Environmental Deices – (temp monitors, water bugs, etc.)

CCTV – (cameras, lenses, enclosures, domes, mounts, monitors, DVR's, VMS)

Fire Alarm Control Panels/Systems - (keypads, remote zone annunciators, addressable modules, etc.)

Fire Alarm Detection Devices – (smoke detectors, heat detectors, beam smoke detectors, duct smoke detectors, pull stations, sprinkler water flow switch, sprinkler tamper switch, etc.)

Fire Alarm Notification Devices – (strobes, strobe-horns, bells, etc.)

General & Misc – (radio communicators, batteries, power supplies, etc.)

Wire & Cable

EXHIBIT J
CONTROLLED PRODUCTS

Updated March 2021

SONITROL P/N	DESCRIPTION
Access Control (Readers & Cards)	
SNTL4000-3M	Clamshell Card, Prox, Sonitrol Logo (Minimum order is 100)
SNTL4020-3M	ISO Thin Composite Prox Card, Sonitrol logo (Minimum order is 100)
SNTL4085-3M	Key Fob, Prox, Black, Sonitrol Logo (Minimum order is 50)
SNTL4085-3M-35	Key Fob, Prox, Black, Sonitrol Logo, ENGRAVED (Minimum order is 50)
SNTL4095-3M	Disk, Prox, White w/Sonitrol Logo (Minimum order is 50)
08062088-S1	Wiegand Swipe Card, Sonitrol Logo, 26 bit
SNTL9436	Sonitrol SECURE, ISO Composite MIFARE, 1K, SONITROL Logo (Minimum order is 50)
SNTL9476	Sonitrol SECURE, ISO Composite DESFIRE EV2, 8K, SONITROL Logo (Minimum order is 50)
SNTL9434	Sonitrol SECURE, FOB, MIFARE, 1K, Grey, SONITROL LOGO
08064931	iCLASS 2K CARD, PVC, PRINTABLE ONE SIDE, 37 BIT, SONITROL LOGO
08064953	iCLASS 2K CARD, COMPOSITE, PRINTABLE ONE SIDE, 37 BIT, SONITROL LOGO
08064906	COMBO iCLASS/PROX CARD, PRINTABLE ONE SIDE, 37 BIT, SONITROL LOGO
3MIL-R11030-SNTL	Inline Reader, SONITROL, Prox and Bluetooth
3MIL-R11330-SNTL	Mullion Reader, SONITROL Prox, Mifare, EV1/EV2, Bluetooth
3MIL-R11320-SNTL	Single Gang Reader, SONITROL, Prox, Mifare, EV1/EV2, Bluetooth
3MIL-R11325-SNTL	Single Gang Reader/KP, SONITROL, Prox, Mifare, EV1/EV2, Bluetooth
909070112	Oneprox GS3-MT Mullion, Multi-Technology Card Reader, Sonitrol Branded
909070113	Oneprox GS3-MT Standard, Multi-Technology Card Reader, Sonitrol Branded
909070114	Oneprox GS3-MT PIN/Prox, Multi-Technology Card Reader, Sonitrol Branded
909070115	Oneprox GS3-MT Admin, Multi-Technology Card Reader, Sonitrol Branded
RX400	Sonitrol Proximity Mullion Reader in Black, branded Sonitrol
RX300	Sonitrol Proximity Wall Mount Reader in Black, branded Sonitrol
RX3K00	Sonitrol Proximity Wall Mount Reader with Key Pad in Black, branded Sonitrol
909070110	Oneprox GS3-LF Mullion, Prox Card Reader, Sonitrol Branded
909070111	Oneprox GS3-LF Standard, Prox Card Reader, Sonitrol Branded
909070116	Oneprox GS3-LF Vandal, Prox Card Reader, Sonitrol Branded
909070117	Oneprox GS3-LF Panel, Prox Card Reader, Sonitrol Branded
SN-MPW-CHAR-AH	Mini Metal Surface Mount, Mullion, Charcoal Wiegand Prox Reader, SONITROL, 9.8 ft cable
SN-MPKW-CHAR-AH	Mini Metal Surface Mount Combo Prox and Keypad Reader, backlit - Wiegand output- Charcoal, SONITROL, 9.8 ft cable
SN-MPADW-CHAR	Mini Metal Surface Mount backlit keypad - Wiegand output - Charcoal, SONITROL, 9.8 ft cable
SN-MEXIT-CHAR	Mini Metal Surface mount exit sensitive button, Mullion - Charcoal, SONITROL, 9.8 ft cable
Access Control (Cloud Access)	
SN-DOOR-KIT-MPW	Sonitrol Cloud Single Door Kit contains the following: (1) SN-EIDC32, PoE network door controller, (1) SN-SMB-5075 Surface Mount Box, (1) SN-MPW-CHAR-AH Wiegand
SN-DOOR-KIT-MPW-ST	Sonitrol Cloud Single Door Add Kit contains the following: (1) SN-EIDC32 PoE network door controller, (1) SN-SMB-5075 Surface Mount Box, (1) SN-MPW-CHAR-AH
SN-EIDC32	Door Controller supports one (1) door with one (IN only) or two (IN/OUT) readers. Includes the faceplate, plaster ring and mounting screws., SONITROL branded
SN-SMB-5075	Surface Mounting Box for mounting the SN-EIDC32 controllers on the surface of a wall, SONITROL Branded
Video	
SN-5M4-MB-IW	SONITROL, 5MP Fixed 4mm Lens Outdoor Mini Bullet with IR and True WDR, IP67 rated
SN-5M-B-RIAW	SONITROL, 5MP Outdoor Bullet with Remote Focus (2.7-13.5mm), IR, Audio and Alarm I/O. IP67/IK10 rated
SN-5M20-B-RIAW	SONITROL, 5MP Outdoor Bullet with Remote Focus (6-50mm), IR, Audio and Alarm I/O. IP67/IK10 rated
SN-5M28-MD-IW	SONITROL, 5MP Fixed 2.8mm Lens, Indoor/Outdoor Vandal Proof Mini-dome with IR and True WDR, IP67/IK10 rated
SN-5M28-MD-IAW	SONITROL, 5MP Fixed 2.8mm Lens, Indoor/Outdoor Vandal Proof Mini-dome with IR, True WDR, Audio, and Mic. IP67/IK10 rated
SN-5M-OD-RIAW	SONITROL, 5MP Indoor/Outdoor Dome with Remote Focus (2.7-13.5mm), IR, Audio and Alarm I/O, and True WDR. IP67/IK10 rated
SN-8M-OD-RIAW	SONITROL, 8MP Indoor/Outdoor Dome with Remote Focus (3.6-10mm), IR, Audio and Alarm I/O, and True WDR. IP66/IK10 rated
SN-6M-360-IA-02	SONITROL, 6MP Outdoor Fisheye with IR, Audio and Alarm I/O w/Mic. IP66/IK10 rated
SN-8M-180-IAW	SONITROL, 8MP (4K) 180 Indoor/Outdoor Camera with Audio and Alarm I/O, True WDR, IP67 rated
SN-SMBK-B-IW	SONITROL, 4MP Fixed 4mm Lens Indoor/Outdoor Mini Bullet with IR and True WDR, IP67 rated

EXHIBIT J
CONTROLLED PRODUCTS

SN-SMBK-D-IW	SONITROL, 4MP Fixed 4mm Lens Indoor/Outdoor Mini Dome with IR and True WDR, IP67 rated
SN-2A-IMD-X-S	SONITROL, "ALL-IN-ONE", 2MP Interior Mini Dome IP Camera, 2.8 mm lens, POE, Complete w/license & 64MB SD card
SN-2A-B-RIWD-S	SONITROL, "ALL-IN-ONE", 2MP Outdoor Bullet IP Camera, 3 - 9 mm lens w/ Remote Focus, Infrared & WDR, POE, Complete w/license & 64MB SD card
SN-2AD3-IWD-S	SONITROL' "ALL-IN-ONE", 2MP Outdoor Dome IP Camera, 4mm lens w/ Infrared & WDR, POE, Complete w/license & 64MB SD card
SN-VT-36	SONITROL IP THERMAL Camera, 36° Indoor/outdoor bullet camera with 4mm fixed lens and STANDARD analytics, w/ 8GB SD card
SN-VT-36-S	SONITROL IP THERMAL Camera, 36° Indoor/outdoor bullet camera with 4mm fixed lens and STANDARD analytics package, Vigil software and 64GB SD card
SN-VT-36-AS	SONITROL IP THERMAL Camera, 36° Indoor/outdoor bullet camera with 4mm fixed lens and ADVANCED analytics package, Vigil software w/ 8GB SD card
SN-4M-B-RIAWD	SONITROL, 4MP IP Camera, Pro Series, Outdoor Bullet, 2.8-12mm Remote Focus Lens, Infrared, Audio & Alarm, True WDR
SN-4V-B-RI-02	SONITROL, 4MP V-Series Outdoor Bullet with 2.8-12mm Remote Focus Lens, Built-in Infrared, and WDR, H.265
SN-4M20-B-RIAWD	SONITROL, 4MP IP Camera, Pro Series, Outdoor Bullet, 8-32mm Remote Focus Lens, Infrared, Alarm, True WDR
SN-2A-B-RIWD	SONITROL, 2MP IP Camera, w/Analytic Sensor, Outdoor Bullet, 3 - 9 mm lens, w/ Remote Focus, Infrared, WDR, POE
SN-8S-OD4-RIAWD	SONITROL, 8MP IP Camera, Indoor/Outdoor Dome, 2.8-12mm Remote Focus Lens, IR, Audio & Alarm support
SN-4M-OD3-RIAWD	SONITROL, 4MP IP Camera, Outdoor Dome, 2.8-12mm, Remote Focus Lens, Infrared, Alarm, Audio Input/Output
SN-2AD3-IWD	SONITROL 2MP, IP Camera, w/Analytic Sensor, Outdoor Dome, 4 mm lens w/ Infrared & WDR, POE
SN-3V-ID-RIAWD	SONITROL, 3MP IP Camera, Indoor Dome, 2.8-12mm Remote Focus Lens, Infrared, Alarm, True WDR
SN-4V-ID-RIAWD	SONITROL, 4MP V-Series Indoor Dome with 2.8-12mm Remote Focus Lens, Built-in Infrared and Audio, and WDR
SN-2A-IMD-X	SONITROL, 2MP IP Camera, w/Analytic Sensor, Interior Mini Dome, 2.8 mm lens, POE
SN-V250-8-2TB-VV-02	V250 NVR Appliance, 1U, Quiet Compact Chassis, Built-In 8 Channel POE Switch, Intel Celeron (2.3GHz), 8GB RAM, 4 Alarm In, 2 Alarm Out, 8IP Camera Licenses included,
SN-V250-8-4TB-VV-02	V250 NVR Appliance, 1U, Quiet Compact Chassis, Built-In 8 Channel POE Switch, Intel Celeron (2.3GHz), 8GB RAM, 4 Alarm In, 2 Alarm Out, 8IP Camera Licenses included,
SN-V250-8A16-2TB-VV-02	V250 Hybrid NVR Appliance, 2U,16-channel analog, 8 Channel POE Switch, Intel Celeron (2.3GHz), 8GB RAM, 4 Alarm In, 2 Alarm Out, 4IP Camera Licenses included, 2TB
SN-V250-8-SMBK-4B4D-02	V250-8 Small Business Kit – V250 NVR Appliance with Built-in 8 Channel PoE Switch, 8 IP Camera Licenses, 2TB Storage, (4) 4MP Indoor/Outdoor Bullet and (4) 4MP
SN-V250-8-SMBK-8B-02	V250-8 Small Business Kit – V250 NVR Appliance with Built-in 8 Channel PoE Switch, 8 IP Camera Licenses, 2TB Storage, (8)4MP Indoor/Outdoor Bullet Cameras
SN-V250-8-SMBK-8D-02	V250-8 Small Business Kit – V250 NVR Appliance with Built-in 8 Channel PoE Switch, 8 IP Camera Licenses, 2TB Storage, (8) 4MP Indoor/Outdoor Dome Cameras

Intrusion (Door Contacts)	
28A-WH-S	Standard gap surface mount contact for closed loop w/ concealed screw terminals, white w/black Sonitrol (Priced individually, sold in 10 packs, order in quantities of 10)
29A-BR-S	Standard gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol (order individually)
29A-WH-S	Standard gap surface mount contact for closed loop w/terminals, white w/black Sonitrol (order individually)
29A-GY-S	Standard gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol (order individually)
29A-BR-SR	Standard gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29A-GY-SR	Standard gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29A-WH-SR	Standard gap surface mount contact for closed loop w/terminals, white w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29C-BR-S	Standard gap surface mount contact **SPDT** w/terminals, brown w/gold Sonitrol (order individually)
29C-GY-S	Standard gap surface mount contact **SPDT** w/terminals, gray w/black Sonitrol (order individually)
29C-WH-S	Standard gap surface mount contact **SPDT** w/terminals, white w/black Sonitrol (Priced individually, sold in 10 packs, order in quantities of 10)
29AWG-BR-S	Wide gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol (order individually)
29AWG-GY-S	Wide gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol (order individually)
29AWG-WH-S	Wide gap surface mount contact for closed loop w/terminals, white w/black Sonitrol (order individually)
29AWG-BR-SR	Wide gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29AWG-WH-SR	Wide gap surface mount contact for closed loop w/terminals, white w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)

EXHIBIT J
CONTROLLED PRODUCTS

29AWG-GY-SR	Wide gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29AXWG-BR-S	Extra wide gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol (order individually)
29AXWG-WH-S	Extra wide gap surface mount contact for closed loop w/terminals, white w/black Sonitrol (Priced individually, sold in 10 packs, order in quantities of 10)
29AXWG-GY-S	Extra wide gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol (Priced individually, sold in 10 packs, order in quantities of 10)
29AXWG-BR-SR	Extra wide gap surface mount contact for closed loop w/terminals, brown w/gold Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29AXWG-WH-SR	Extra wide gap surface mount contact for closed loop w/terminals, white w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
29AXWG-GY-SR	Extra wide gap surface mount contact for closed loop w/terminals, gray w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
400-BR-S	Industrial standard gap surface mount contact for closed loop, concealed terminals, brown w/gold Sonitrol (order individually)
400-GY-S	Industrial standard gap surface mount contact for closed loop, concealed terminals, gray w/black Sonitrol (order individually)
400-BR-SR	Industrial standard gap surface mount contact for closed loop, concealed terminals, brown w/gold Sonitrol, 1K resistor ((Priced individually, sold in 10 packs, order in quantities
400-GY-SR	Industrial standard gap surface mount contact for closed loop, concealed terminals, gray w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of
400-WH-SR	Industrial standard gap surface mount contact for closed loop, concealed terminals, white w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities
400WG-BR-S	Industrial wide gap surface mount contact for closed loop, concealed terminals, brown w/gold Sonitrol (order individually)
400WG-GY-S	Industrial wide gap surface mount contact for closed loop, concealed terminals, grey w/black Sonitrol (order individually)
400WG-WH-S	Industrial wide gap surface mount contact for closed loop, concealed terminals, white w/black Sonitrol (order individually)
400WG-BR-SR	Industrial wide gap surface mount contact for closed loop, concealed terminals, brown w/gold Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
400WG-GY-SR	Industrial wide gap surface mount contact for closed loop, concealed terminals, grey w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of 10)
400WG-WH-SR	Industrial wide gap surface mount contact for closed loop, concealed terminals, white w/black Sonitrol, 1K resistor (Priced individually, sold in 10 packs, order in quantities of

Intrusion (SMART HUB)	
SN-NA502S	Sonitrol, TotalGuard, Zigbee Hub, with Cellular, 3G
SN-NA502S-4G-US	Sonitrol, TotalGuard, Zigbee Hub, with Cellular, 4G
SN-SZ-PIR04SA	Sonitrol, TotalGuard, Zigbee Wireless Indoor PIR, 45 Foot Range
SN-SZ-DWS08N	Sonitrol, TotalGuard, Zigbee Wireless Door /Window Sensor
SN-SZ-WTD03N	Sonitrol, TotalGuard, Zigbee Wireless Water Sensor
SN-DC-23ZBS	Sonitrol, TotalGuard, Zigbee Wireless Universal Transmitter
SN-PB-15ZBS	Sonitrol, TotalGuard, Zigbee Wireless Fixed Panic Button
SN-TSO-9ELZBS	Sonitrol, TotalGuard, Zigbee Wireless Temperature sensor

Intrusion (CELL BACK-UP)	
TA1-020010M-SNN	CRADLEPOINT, TA1-020010M-SNN, (IBR200) for Sonitrol, (3G/4G) WIFI, SPRINT
TA1-600CLPE-SNN	CRADLEPOINT, TA1-600CLPE-SON, (IBR600C) for Sonitrol, (3G/4G) WIFI, SPRINT
KIT, IBR200 - POWERHUB	KIT, IBR200 with POWERHUB and 24VAC TXF
IBR350P2	CRADLEPOINT, IBR350 MOBILE ROUTER (3G / 4G) - NO WIFI - FOR CANADA
IBR600LPE-GN	CRADLEPOINT, IBR600 MOBILE ROUTER (3G / 4G) - FOR CANADA

EXHIBIT K
PROPRIETARY PRODUCTS

SONIP Equipment

D6650	LINE CARD; BOSCH, SONITROL SPECIFIC
D6655	TERMINATOR CARD; BOSCH, SONITROL SPECIFIC
SONIP POTS COMM CARD	SONITROL LINE CARD COMPLETE
SDM	SPEAKER DISPLAY MODULE
SONIP SFTW	SOFTWARE, APPLICATION FOR SONIP

iBase/FlexIP Product Line

SOINP FLEXIP SYS-18	SONIP FLEXIP, SONIP 18" enclosure, Battery, Plug In Transformer
SOINP FLEXIP SYS-27	SONIP FLEXIP, SONIP 27" enclosure, Battery, Plug In Transformer
BUNDLE, SONIP FLEXIP KT2	SONIP FLEXIP BUNDLE
SONIP IBASE	IBASE (pcba only)
SONIP FLEXIP	FlexIP (pcba only)
SONIP FLEXIP CPU	FlexIP (CPU pcba only)
SONIP FLEXIP/ACC KIT-27	SONIP FLEXIP, SONIP 27" enclosure, FlexIP, Access 4, Battery, Chassis mounted Transformer
SONIP ACCESS4 SYS-18	SONIP ACCESS-4, SONIP 18" enclosure, Battery, Plug in Transformer
SONIP ACCESS4 SYS-27	SONIP ACCESS-4, SONIP 27" enclosure, Battery, Plug in Transformer
SONIP ACCESS-4 PRO	Module, Access-4 pro
SONIP AUDIO-8 PRO	Module, Audio-8 Pro
SONIP POWER HUB	Module, Power Hub
SONIP I/O	Module, I/O Expansion
SONIP KP	Standard Keypad – Sonitrol
SONIP IPROX KEYPAD	Prox Enhanced Keypad - Sonitrol
SN-TOUCH KP,WHT	KEYPAD, TOUCH SCREEN, 7 INCH, WHITE, for FLEXIP
SN-TOUCK KP,BLK	KEYPAD, TOUCH SCREEN, 7 INCH, BLACK, for FLEXIP
TRANSFORMER KIT AC	Internal Enclosure Mounted Transformer Kit / w120V Power Cord
SONIP 18 ENCLOSURE	18" Enclosure - Sonitrol
SONIP 27 ENCLOSURE	27" Enclosure - Sonitrol
SONIP 18A ENCLOSURE	18” UL Attack Enclosure – Sonitrol
SONIP 27A ENCLOSURE	27" UL Attack Enclosure – Sonitrol
AUDIOSENSOR	Sensor, Audio Sonitrol (PA20)
24000117	BACKPLATE, Legacy Upgrade Kit, Single Unit
24000116	BACKPLATE, Legacy Upgrade Kit , 3 Pack
904001088	ACCESSORY INSTALL KIT, for ACCESS-4 (Sonitrol)
904001090	ACCESSORY INSTALL KIT, for ACCESS-8 (Sonitrol)
904001094	ACCESSORY INSTALL KIT, for FLEXIBASE (Sonitrol)
904001084	ACCESSORY INSTALL KIT, for I/O (Sonitrol)
904001086	ACCESSORY INSTALL KIT, for iBASE (Sonitrol)
904001092	ACCESSORY INSTALL KIT, for POWER HUB (Sonitrol)

EXHIBIT K

PROPRIETARY PRODUCTS

SN-2S-CPIR-W	Multi-Sensor, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW
SN-2S-CPIR-W	Multi-Sensor, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW, 64GB SD Card
SN-2S-CPIR-W-SGI	Multi-Sensor, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW, 64GB SD Card, Glass Break Analytics
SN-2S-CPIR-W-PANEL	TotalGuard, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW, 64GB SD Card, Glass Break, Impact Audio Analytics
SN-2S-CPIR-W-SGI-128	Multi-Sensor, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW, 128GB SD Card, Glass Break, Impact Audio Analytics
SN-2S-CPIR-W-PANEL-128	TotalGuard, Sonitrol, w/2MP camera, PIR, Vigil Server SFTW, 128GB SD Card, Glass Break, Impact Audio Analytics
SN-64S-SD	MicroSDXC/64GB/Class10/TLC - 25MB/s read speed, 20MB/s write
SN-128S-SD	MicroSDXC/128GB/Class10/TLC - 95MB/s read speed, 24MB/s write
VGL-SW-AA-GB	SFTW, Multi-Sensor Vigil Server, Glass Break and Impact Audio License
VGL-SW-CAM-PANEL	SFTW, Multi-Sensor Vigil Server, IOT PANEL License
ABEL	ABEL DEMO UNIT

Plus Product Line - ***Product Line Discontinued June 2010 - some items may be available in limited quantity***

SONPLUSUL	Control Panel; Sonitrol Plus UL, incl. Base and SAM
SONPLUSBASUL	Control Panel; Sonitrol Plus Base UL, w/o SAM
90225102	Sonitrol Plus (board only)
ADV3350+	Control Panel; Sonitrol 3350+
90295101	ADV3350+ (board only)
SONSAM	Module; Smart Audio, Sonitrol (SAM)
SONLEM	Module; Loop Expansion, Sonitrol (LEM)
SONTELPLUS	Module; Tel Plus, Sonitrol
SON WIM	Module; Wireless, Sonitrol, 64 Device, Supervision, (WIM)
LCDPLUSSON	Keypad; Sonitrol LCD
ACCESS 4-S	Access Panel; Sonitrol, 4 Door Slave
90212153	Access 4-S (board only)
RMOD	Module; Relay
90237100	Large Chassis – Sonitrol
90224100	Small Chassis – Sonitrol

SCHEDULE 1*

Year		Threshhold Royalty	Assumption #1 Aggregate Franchise Royalty	Royalty Rate	Assumption #2 Aggregate Franchise Royalty	Royalty Rate
2010	1	$3,000,000	$3,000,000.00	3%	$3,000,000	3%
2011	1.02	$3,060,000	$3,090,000.00	3%	$3,045,000	3%
2012	1.0404	$3,121,200	$3,182,700.00	3%	$3,090,675	3%
2013	1.061208	$3,183,624	$3,278,181.00	3%	$3,137,035	3%
2014	1.08243216	$3,247,296	$3,376,526.43	3%	$3,184,091	3%
2015	1.1040808	$3,312,242	$3,477,822.22	3%	$3,231,852	3%
2016	1.12616242	$3,378,487	$3,582,156.89	3%	$3,280,330	3%
2017	1.14868567	$3,446,057	$3,689,621.60	3%	$3,329,535	3%
2018	1.17165938	$3,514,978	$3,800,310.24	3%	$3,400,000	3.25%
2019	1.19509257	$3,585,278	$3,914,319.55	3%	$3,451,000	3.50%
2020	1.21899442	$3,656,983	$4,031,749.14	3%	$3,700,000	3.50%
2021	1.24337431	$3,730,123	$4,152,701.61	3%	$3,700,000	3.75%
2022	1.26824179	$3,804,725	$4,277,282.66	3%	$3,750,000	4%
2023	1.29360663	$3,880,820	$4,405,601.14	3%	$3,800,000	4%

*The above chart is provided as an illustration only per §7.02(b)(1) and will not reflect the results of any individual franchisee.

EXHIBIT C

MONITORING AGREEMENT

THIS MONITORING AGREEMENT (the "Agreement") is effective as of _____, 20__, by and between Stanley Convergent Security Solutions, Inc., a Delaware corporation, having its principal business offices located at 8350 Sunlight Drive, Fishers, Indiana 46037 ("Sonitrol") and _____ ("Franchisee").

RECITALS

WHEREAS, Franchisee is an independent Sonitrol franchisee, and has been licensed and granted the right to, and has primary responsibility for, promoting, leasing, selling and servicing a security product line consisting of audio burglary, fire, CCTV, surveillance, and managed access control products and components using emerging technologies for diverse security system requirements, bearing the trademark "SONITROL," registered with the United States Patent and Trademark Office under the principal register number 912,681 together with such other trade names, service marks, trademarks and trade symbols as Franchisor has adopted and designated for use by Sonitrol businesses ("Sonitrol Products") within the Territory set forth in its Franchise Agreements with Sonitrol; and

WHEREAS Sonitrol has a central monitoring station for the monitoring of Sonitrol security systems and Franchisee desires to have its Subscribers Sonitrol Products monitored by Sonitrol upon the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the premises, and the mutual covenants contained in this Agreement, the parties hereby agree as follows:

SECTION 1 - DEFINITIONS

1.1 In this Agreement, the following terms shall have the following meanings:

(a) "Franchise Agreements" shall mean, whether one or more, the Franchise Agreement dated _____ entered into between Sonitrol and Franchisee.

(b) "Monitoring Services" shall mean the receiving, evaluating and responding to electronic signals from a Subscriber's Sonitrol Security System.

(c) "Sonitrol Central Station" shall mean the U.L. rated facility located either at Plymouth, Minnesota or Indianapolis, Indiana, which receives, evaluates and responds to audio activated, burglar and fire alarm signals transmitted from Sonitrol Security Systems.

(d) "Sonitrol Security System" shall mean audio activated or listen back burglar alarm system, a fire alarm system, access control or a video system utilizing the Sonitrol Products, sold by Franchisee pursuant to the terms of the Franchise Agreements.

(e) "Subscriber" shall mean subscribers of Franchisee who have installed Sonitrol Security Systems and contracted with Franchisee for the monitoring thereof.

(f) "Subscriber Premises" shall mean the location at which Subscriber has installed a Sonitrol Security System.

SECTION 2 - MONITORING

2.1 Sonitrol agrees, during the term of this Agreement, to provide Monitoring Services for all of Franchisee's Subscribers and thereby to do the following:

(a) Upon receipt of a burglar alarm or access control door alarm signal, transmit the alarm to headquarters of the public police department or other designee or authority as may be allowed or required by contract or ordinance and notify the Subscriber or his designated representative by calling the telephone numbers supplied to Franchisee in writing by Subscriber;

(b) Upon receipt of a hold-up alarm signal, transmit the alarm to the headquarters of the public police department, or other designee or authority as may be allowed or required by contract or ordinance.

(c) Upon receipt of a manual, waterflow, smoke, or automatic fire alarm signal, transmit the alarm to the public fire department and notify Subscriber or his designated representative by calling the telephone numbers supplied to Franchisee in writing by Subscriber.

(d) Upon receipt of an emergency control signal, notify Subscriber or his designated representative by calling the telephone numbers supplied to Franchisee in writing by Subscriber.

(e) Upon receipt of an audio activation or visual signal, Sonitrol's operator will make every reasonable effort to identify available sound or image, if any, to attempt to determine whether or not it indicates an unauthorized breaking and entry into Subscriber's premises, and when warranted, transmit notice of said sound or image to the local police authority or other designee or authority as required by contract or local ordinance, and notify the Subscriber or its designated representative by calling the telephone numbers supplied to Franchisee in writing by Subscriber.

2.2 Sonitrol agrees to operate its Sonitrol Central Station in accordance with standards established by Sonitrol imposed on Franchisee under the terms of its Franchise Agreement.

2.3 Sonitrol shall not be liable for any damages or injuries resulting from communication disruption between Sonitrol and Franchisee or its Subscribers, caused by any reason beyond the control of Sonitrol, including, but not limited to, disruption caused by fire, storm, failure of communications carrier, power failure, natural disaster or act of God. In the event of such disruption, Sonitrol will make all reasonable efforts to restore service in the least amount of time possible. FRANCHISEE SHALL INDEMNIFY AND HOLD SONITROL HARMLESS FROM ANY THIRD-PARTY CLAIM, LOSS, DAMAGE, ACTION, CAUSE OF ACTION OR EXPENSE (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEY FEES) REGARDLESS OF SOURCE, ARISING IN WHOLE OR IN PART AS A RESULT OF ANY COMMUNICATION DISRUPTION BETWEEN SONITROL AND FRANCHISEE OR ITS SUBSCRIBERS, CAUSED BY ANY REASON BEYOND THE CONTROL OF SONITROL, EXPRESSLY INCLUDING, BUT NOT LIMITED TO, ANY CLAIMS ARISING OUT OF SONITROL'S OWN NEGLIGENCE, FAULT OR LIABILITY, WHETHER THAT NEGLIGENCE, FAULT OR LIABILITY IS FOR 100% OF THE DAMAGES OR FOR SOME LESSER PERCENTAGE OF THE DAMAGES.

2.4 Sonitrol certifies that it has now, and during the term of this Agreement, will maintain insurance coverage for general liability and errors and omissions with coverage of not less than one million

dollars ($1,000,000.00). Sonitrol shall provide, upon request, certificates of insurance and all such policies to Franchisee, upon execution of this Agreement, and annually thereafter.

2.5 Franchisee certifies that it has now, and during the term of this Agreement, will maintain insurance coverage for general liability and errors and omissions with coverage of not less than one million dollars ($1,000,000.00). Franchisee shall provide certificates of insurance and all such policies to Sonitrol upon execution of this Agreement, and annually thereafter. Each such policy shall contain a provision that it may not be cancelled or the coverage materially changed without thirty (30) days prior written notice to all certificate holders.

2.6 Franchisee warrants that all Subscribers have signed or shall have signed a valid Sonitrol subscriber contract with Franchisee in the form prescribed pursuant to the Franchise Agreements. Franchisee and Sonitrol acknowledge that pursuant to such Sonitrol Subscriber contracts, and particularly those paragraphs relating to disclaimer of warranties, limitation of liability and third-party indemnification, Sonitrol is a third-party beneficiary thereof and such contractual provisions enure to the benefit of and are applicable to Sonitrol and its parent, affiliates and subsidiaries and to any sub-contractors engaged by Franchisee to provide monitoring, maintenance, installation or service of the Sonitrol Security Systems, and bind Subscriber to Sonitrol and its parent, affiliates and subsidiaries, with the same force and effect as they bind Subscriber to Franchisee.

SECTION 3 - INSTALLATION AND CONNECTION

3.1 Franchisee shall ensure that all Sonitrol Security Systems installed at Subscriber Premises are installed in accordance with the rules and standards imposed on Franchisee under the terms of the Franchise Agreement.

3.2 Franchisee shall provide Sonitrol with detailed Subscriber information as required by Sonitrol relating to each Subscriber at least twenty-four (24) hours prior to the scheduled time for connection of such Subscriber's Sonitrol Security System to the Sonitrol Central Station.

3.3 Sonitrol shall assist Franchisee in downloading account information from the Sonitrol Central Station to each Subscriber's Sonitrol Security System. The parties shall attempt to ensure that the download time shall not exceed two (2) hours for each Subscriber.

SECTION 4 - SERVICE

4.1 Franchisee shall provide maintenance service on Subscriber's Sonitrol Security Systems as required.

4.2 Sonitrol shall notify Franchisee of any special maintenance service required to be made to Subscriber's Sonitrol Security System, of which Sonitrol is aware and Franchisee will service such systems in accordance with the terms of the Franchise Agreements and Franchisee's subscriber contract with the Subscriber. Sonitrol agrees to receive service inquiries from Subscribers and to notify Franchisee on a timely basis of any such inquires. Franchisee agrees to respond to service inquiries on a timely basis and notify Sonitrol of the resolution of same.

4.3 Franchisee shall indemnify and hold Sonitrol harmless of and from any claim, loss, damage, action or cause of action, expense (including without limitation reasonable attorneys fees)

regardless of source, arising as a result of failure of Franchisee to properly install or service Sonitrol Security Systems installed at Subscriber Premises.

SECTION 5 - REPORTS

5.1 Sonitrol shall provide Franchisee with daily account activity, dispatch and service reports, which may be provided via Virtual Private Network or some other method, as determined by Sonitrol in its discretion. Sonitrol shall provide directly to Subscribers, opening and closing and exception reports as required, which may be provided via mySonitrol.net or some other method, as determined by Sonitrol in its discretion.

SECTION 6 - FEES

6.1 Subject to Section 6.2 of this Agreement, Franchisee agrees to pay Sonitrol monitoring fees (a) as published in the Sonitrol Franchise Standards Manual, or (b) as mutually agreed by Sonitrol and Franchisee as set forth on Exhibit A, attached hereto and incorporated herein by reference.

6.2 Monitoring fees may be increased on the second and subsequent anniversaries of this Agreement, and shall be limited to the greater of three percent (3%) or the applicable Federal Reserve District Consumer Price Index over the preceding twelve (12) month period.

6.3 Invoices will be produced monthly and in advance, dated on the 15th day of the month prior to which Monitoring Services are to be performed. Payment for invoices is due thirty (30) days after invoice to date. Payment not received by the 30th day after the due date shall be subject to a finance charge equal to 1.5% per month. Sonitrol may offset any amounts due from Franchisee against any amounts Sonitrol owes to Franchisee under this Agreement or any other agreements between Franchisee and Sonitrol.

SECTION 7 - TERM AND TERMINATION

7.1 The term of this Agreement shall be for a period of _____ (__) years, commencing upon the date both parties sign this Agreement and shall automatically renew for successive one (1) year terms unless Franchisee has given Sonitrol written notice of its election not to renew, not less than ninety (90) days prior to the end of the term then in effect.

7.2 Either party may at its option immediately terminate this Agreement by giving written notice thereof to the other party in the event of the happening of any of the following:

(a) If the other party becomes insolvent or a petition in bankruptcy is filed, or any similar relief is filed by or against the other party, or a receiver is appointed with respect to any of the assets of the other party, or a liquidation proceeding is commenced by or against the other party; or

(b) Failure to correct or cure any material breach by the other party of any covenant or obligation under this Agreement hereunder within sixty (60) calendar days after receipt by the other of a written notice from such party specifying, such breach; or

(c) Franchisee ceases to be a franchise in good standing of Sonitrol or the Franchise Agreements shall terminate or expire.

7.3 Franchisee may terminate this Agreement upon sixty (60) days prior written notice, in the event it sells its Subscriber accounts as permitted under the Franchise Agreement; provided that, Franchisee shall not be entitled to terminate prior to the _____ anniversary of this Agreement.

7.4 In the event of the termination of this Agreement, Franchisee will arrange for the expeditious transfer of monitoring services for Subscribers to an alternate monitoring facility and in any event, not more than six (6) months following the expiration or termination of this Agreement. During the intervening period, the respective obligations of the parties shall continue to be governed by the terms of this Agreement.

SECTION 8 - GENERAL

8.1 Each party, during and after the term of this Agreement, agrees to indemnify and hold the other party harmless of, from and against, and promptly reimburse the other party for, and all loss, damage, liability and attorney's fees and other costs and expenses incurred by the other party as a result of the indemnifying party's violation of this Agreement.

8.2 Neither party shall assign this Agreement and the rights hereunder to any person, firm, association or corporation without the prior written consent and approval of the other party which consent and approval shall not be unreasonably withheld.

8.3 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed, by certified mail-return receipt requested, to the respective parties at the addresses listed below their signature hereto, unless or until a different address has been designated by written notice.

8.4 This Agreement shall be governed by and construed in accordance with the State of Delaware.

8.5 This Agreement shall not be construed as evidence of any partnership or joint venture, it being expressly agreed and understood that the Parties are acting only for themselves with respect to the obligations set forth herein as independent contractors and that the Parties are independent, do not control the manner in which obligations are met and are not agents of each other.

8.6 It is expressly understood and agreed that this Agreement does not create a third party beneficiary relationship with any person, entity or Subscriber, that the parties intend solely to benefit themselves by their entry into this Agreement and no other person or entity not a party hereto, and that only Franchisee and Sonitrol are entitled to remedies for any breach hereof.

8.7 It is expressly understood and agreed that the parties hereto have entered into this Agreement on an arms-length basis acting on their own judgment and have not been induced to enter into this Agreement by any statement, act or representation of any kind or character on the part of any other entity or person outside the express written terms of this Agreement. Furthermore, this Agreement represents the entirety of the agreements of the parties hereto with respect to the subject matters expressed and this is a complete, integrated, final Agreement on these matters, which may not be amended, altered, modified or changed in any way except in writing signed by the authorized representative of the parties hereto.

DATED this _____ day of _____, 20__.

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.

By: _____

Printed Name: _____

Title: _____

Address: 8350 Sunlight Drive
Fishers, Indiana 46037
Attn: Director of Franchise Relations

Franchisee: _____

By: _____

Printed name: _____

Title: _____

Address: _____

_____

Attn: _____

Exhibit A

Monitoring Fees

MANAGEMENT BULLETIN | Credit Policy

Document #	MB17-0001
Revised	April 3, 2017
Product Affected	Sonitrol Franchise Credit Policy
Purpose	Update to the published Nov 2014 Credit Policy

FRANCHISE'S ACCEPTANCE OF PROVISIONS

By placing an order based on this policy, the Franchise accepts and agrees to all the provisions set forth herein. No variation from these provisions shall be binding upon Stanley unless agreed to in writing by Stanley Management. In the event of conflict between this Sonitrol Franchise Credit Policy and the terms and conditions set forth in the Franchise Agreement, the Franchise Agreement shall control.

Sales and Pricing

The price for products shall be that price which is stated in the Sonitrol Franchise Store or on a published Price List, at the time of Stanley's acceptance of an order from the Franchise. All prices include shipping via UPS Ground from Stanley's distribution center and are exclusive of all excise, sales, use and other taxes. All taxes, tariffs and duties of any nature imposed by any jurisdiction and arising from Franchise's purchase of Stanley products shall be the responsibility of and shall be paid by the Franchise.

Stanley reserves the right to refuse orders and is not bound to honor them unless they have been accepted at the Stanley Customer Service office. Except as otherwise set forth in the Franchise Agreement, prices are subject to change without prior notice and Stanley reserves the right to discontinue any products with or without notice to the Franchise.

Products produced and sold by Stanley may be subject to either general or validated license control under the United States export administration regulations. The Franchisee is not authorized to export any Stanley products out of the United States without written approval from Stanley. Export of any approved Sonitrol product without proper export licenses is prohibited by law.

Terms of Payment

Terms of payment are established by the Stanley Credit Department for all Franchises:

- Payment is due NET 30 calendar days from the date of invoice
- 2% discount is offered if invoice is paid with NET 10 calendar days from the date of invoice

***NOTE**: The 2% discount cannot be taken on Royalty invoices or if there are outstanding undisputed balances due over 30 days on your account.*

All payments are accepted in U.S. currency only. If at any time, in the opinion of Stanley, the financial condition of the Franchisee so warrants, or if a Franchise fails to make payment when due, or otherwise fails to fulfill any of its obligations under this policy or the Franchise Agreement, then, Stanley may take any one or more of the following actions: suspend credit, alter the terms of payment, cancel discount arrangements, delay shipments, or pursue any remedies available to it by law or in equity. If your account is put on “Credit Hold”, you will be notified in writing, and no further shipments or repairs will be made.

Stanley may charge the Franchise interest on any amounts overdue hereunder at a rate per annum equal to the greater of eighteen (18%) percent, or two (2%) percent in excess of the prime rate from time to time in effect at the Bank of America, New York, NY, but not more than the maximum rate allowed by law. Stanley may also charge the Franchise any reasonable attorney’s fees or other reasonable costs incurred by Stanley in collection of delinquent amounts.

If you disagree with any charges or credits to your account, please call the Credit Department immediately so we can resolve it in a timely basis.

Orders and Delivery Dates

All Franchise's orders for products are to be submitted via the on-line Franchise Store (with the exception of orders for SONIP Central Stations), and are not binding until accepted by Stanley. Stanley assumes no liability, nor responsibility for delays in shipment, performance or in delivery due to any causes, and/or events or circumstances beyond its reasonable control. Except as provided in the Franchise Agreement, Stanley reserves the right to make changes in the design on any of its products without incurring any obligation to make the same change on units previously purchased.

Freight and Title

Title to and risk of loss or damage to products shall pass to Franchise upon delivery to the carrier. However, Stanley is granted and retains a purchase money security interest in all products until Franchise has paid the purchase price in full.

Franchise shall have the responsibility to obtain and pay for insurance on products, and to negotiate with the carrier and/or insurer in the event of loss of, or damage to, of products. Stanley shall not

have any such responsibility notwithstanding the fact that insurance may have been secured by Stanley for Franchise's account and expense.

In the absence of specific instructions from Franchise, Stanley will select the carrier, but such carrier shall not be the agent of Stanley, nor will Stanley assume any liability whatsoever regarding the shipment, or loss of or damage to the shipment.

Current carrier is UPS and shipments are sent via UPS Ground at Stanley's cost, unless a faster shipping method is requested at the time of order, which will then be noted and added to the invoice.

Credit Return Policy (For new product able to be resold)

Credit return requests are for new product that can be resold and must be in their original packaging. A minimum restocking fee of 15% is applied to all approved returns within the first 90 days of the original date of shipment. Any product approved for exchange or credit return beyond the 90 day period will need approval from management and is at the sole discretion of Stanley and will incur a 25% restocking charge. This restocking charge will not apply where prior approval was given by Stanley.

Please allow 24 - 48 hours for your request to be processed.

How to obtain a Credit Return #:

1. Contact Customer Service and request items to be returned.

2. Please make sure your original Storefront purchase order number is available.

3. Please make sure the product is in its original packaging.

4. The Franchise must ship all products being returned prepaid to Stanley unless a call tag has been provided.

5. All Collect shipments will be refused by Stanley.

Please note that any product returned to Stanley without prior authorization will be refused by the receiving department.

SONIP™ EQUIPMENT PURCHASE AGREEMENT

THIS SONIP EQUIPMENT PURCHASE AGREEMENT ("Purchase Agreement") is made this _____ day of _____, _____, by and between ***Stanley Convergent Security Solutions, Inc***., a Delaware corporation with its principal place of business at 8350 Sunlight Drive, Fishers, IN 46037 ("Seller"), and _____, a(n) _____ [corporation / limited liability company / partnership / individual], with its principal place of business at _____ ("Purchaser").

WHEREAS, Seller is the franchisor set forth in the Sonitrol Franchise Agreement between Seller and Purchaser, dated _____, _____ (the "Franchise Agreement"); and

WHEREAS, the Franchise Agreement sets forth Purchaser as a franchisee of Seller; and

WHEREAS, Seller is a designated authorized supplier of products and services to Purchaser under the Franchise Agreement; and

WHEREAS, Purchaser wishes to purchase certain central station equipment, as defined herein being the "SonIP Equipment," from Seller for use in Purchaser's franchise business; and

WHEREAS, simultaneously with entering into this Purchase Agreement, Purchaser is also entering a SonIP Software License Agreement ("License Agreement") with Seller to license certain proprietary software intended and necessary for use with the SonIP Equipment being purchased under this Purchase Agreement (the "Software Package," and sometimes collectively referred to with the SonIP Equipment as the "System"), and a SonIP Service Agreement ("Service Agreement") providing for certain service of the SonIP Equipment and the licensed proprietary software.

Now, therefore, in consideration of the mutual covenants set forth herein, intending to be legally bound, Seller and Purchaser hereby agree as follows:

1. **Purchase.** Purchaser hereby purchases from Seller, and Seller hereby sells to Purchaser, the items of equipment and other personal property and installation services described in Exhibit A to this Purchase Agreement (collectively called "SonIP Equipment") upon the terms and conditions set forth in this Purchase Agreement and any Exhibits thereto. Risk of loss shall pass to Purchaser upon delivery to the shipper at Seller's loading dock, FOB Seller's dock.

2. **Price, Payment and Security.** The Purchase Price, FOB Seller's dock, shall be the amount specified in Exhibit A hereto, and shall be payable pursuant to the payment terms as set forth on Exhibit A. Purchaser shall pay all shipping charges, and all foreign, federal, state or local sales, excise, use, document, stamp, intangible or other taxes (excluding income taxes of Seller), duties or assessments which are levied or imposed by reason of the sale contemplated by this Agreement. Purchaser hereby grants to Seller a presently existing and continuing security interest in all of the SonIP Equipment and in all proceeds thereof to secure payment of the purchase price therefore and to secure payment of the one time software license fees payable under the License Agreement.

3. **Installation**. Installation shall be performed during Seller's normal working hours. If any governmental agency requires any changes to the System originally installed, Purchaser agrees to pay for such changes. It is Purchaser's responsibility to obtain all governmental permits or licenses required by the local jurisdiction to operate the System. It is Seller's responsibility to obtain all governmental licenses required by the local jurisdiction to perform the installation of the System on Purchaser's premises.

Purchaser, at its own expense, shall supply appropriate AC power, outlets for such power and telephone interconnection jacks, if required. Purchaser shall not tamper with, alter, adjust, add to, disturb, injure, move, remove, interconnect with other equipment or otherwise interfere with the System installed by Seller, nor shall Purchaser permit the same to be done by others. It is further agreed that Purchaser indemnifies and holds Seller harmless from any claim arising out of the foregoing and that if any work is required to be performed by Seller due to Purchaser's breach of the foregoing obligations, Purchaser will pay Seller for such work in accordance with Seller's then current prevailing rates. Any claim by Purchaser of improper installation or a defect in the System shall be made in writing to Seller within ninety (90) days of the completion of the installation.

4. **Use.** Purchaser shall use the System in a careful and proper manner and solely for the purpose of conducting business pursuant to the Franchise Agreement. Purchaser shall at all times comply with the Franchise Agreement, the Sonitrol Franchise Standards Manual (as defined in the Franchise Agreement), and any manual relating to the operation of the System, and conform to all laws, ordinances and regulations, the terms of any insurance policies, and the terms of this Purchase Agreement. Purchaser shall be exclusively responsible to pay the cost or charges for (a) any upgrade or change to any of the third-party/off-the-shelf components, including without limitation hard-drives, computer memory, individual PC cards, video cards, serial interface cards; (b) the base operating system (Windows), the SQL Server database (SQL), and any client-access licenses; (c) periodic updates to third-party software, including without limitation anti-virus, communications (PC Anywhere); (d) upgrades/updates to Remote Office hardware and software, including without limitation firewalls, web-servers, Terminal Services hosts and/or clients, associated client-access-licenses, and Navigator terminals; any peripheral hardware/software including E-Service and related E-Service components, including without limitation computer, operating system, database, Palm Pilots, and the associated licensing; and hardware/software associated with the local data aggregation servers for MySonitrol.com, whether or not such upgrades, corrections, changes or modifications are due to any SonIP software or hardware enhancement or correction.

5. **Software.** Purchaser shall execute the standard SonIP Software License Agreement governing the use of the proprietary software designed for use with the SonIP Equipment.

6. **Maintenance and Repairs.** Purchaser shall execute the standard SonIP Service Agreement providing that Seller will provide certain services required to maintain the SonIP Equipment in proper working order. Except as otherwise specifically provided in the Service Agreement, Purchaser, at its own cost and expense, shall keep the SonIP Equipment in good repair, condition and working order and shall furnish any and all parts, equipment and devices required for such purpose.

7. **Required Purchase of Replacement Equipment.** Seller will use commercially reasonable efforts to improve and advance the technology, function and design of the System. Franchisee acknowledges the importance of using current equipment in using the System. Seller may from time to time make available to Purchaser replacement or upgrade equipment for the System, or additions thereto. The price for such replacement SonIP Equipment shall be the then current list price, plus shipping and handling charges, and all foreign, federal, state or local sales, excise, use or other taxes (excluding income taxes of Seller), duties or assessments which are levied or imposed by reason of the purchase. Notwithstanding, Purchaser will not be required to expend more than 15% of the original Purchase Price of the SonIP Equipment for each year from the effective date of this Agreement until such replacement or upgraded equipment is required to be purchased. If replacement or upgraded equipment is required during the initial 1 year warranty, it will be provided at no charge by the Seller. For example, if Purchaser is required to purchase replacement or upgraded equipment in the fifth year after the date of this Agreement, Purchaser will not be compelled to pay more than seventy-five percent (75%) of the Purchase Price under this Agreement for the purchase of such replacement or upgraded equipment. Seller may designate or approve new or additional equipment, add or discontinue SonIP Equipment in its reasonable discretion but subject to the terms of the Franchise Agreement and the Sonitrol

Franchise Standards Manual. Seller will not discontinue any SonIP Equipment without providing for substitute equipment for the System and an end-of-life parts replacement and service plan.

8. **Warranties.** Purchaser acknowledges that the purchased SonIP Equipment is of a type, design, size, capacity and manufacture as selected by Purchaser; and that Seller has not and will not, and has no obligation to separately inspect the SonIP Equipment. **SELLER WARRANTS AND AGREES THAT ANY EQUIPMENT MANUFACTURED BY SELLER FURNISHED HEREUNDER DOES NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT, EXCEPT TO THE EXTENT SAID INFRINGEMENT IS ATTRIBUTABLE TO FRANCHISEE'S IMPROPER USE OF SAID EQUIPMENT OR USE OF THE EQUIPMENT IN COMBINATION WITH ANY THIRD PARTY EQUIPMENT OR SOFTWARE NOT SPECIFIED BY SELLER. EXCEPT FOR THE FOREGOING, SELLER MAKES NO REPRESENTATIONS, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, ON WHICH PURCHASER MAY RELY, WITH RESPECT TO THE MERCHANTABILITY, FITNESS, CONDITION, QUALITY, DURABILITY OR SUITABILITY FOR PURCHASER'S PURPOSES OF THE SONIP EQUIPMENT IN ANY RESPECT, OR THE SONIP EQUIPMENT'S COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, LATENT DEFECTS, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED**. SELLER HEREBY ASSIGNS TO PURCHASER ANY MANUFACTURER AND VENDOR WARRANTIES IT MAY HAVE WHICH ARE APPLICABLE TO THE SONIP EQUIPMENT.

9. **Indemnification and Limitation of Liability.**

a. Indemnification of Purchaser. Purchaser assumes liability for and shall indemnify, protect, save and hold harmless the Seller, its affiliates, their respective agents, employees, successors, assigns, owners, officers and directors, (the Seller Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Seller Indemnified Party in any way relating to or arising out of Purchaser's operation of the System, including the negligent or otherwise improper use of either the SonIP Equipment or the software licensed under the SonIP Software License Agreement, except to the extent caused by the gross negligence or willful misconduct of Seller.

b. Indemnification of Seller. Seller shall indemnify, protect, save and hold harmless Licensee its agents, employees, successors, assigns, officers and directors, (the Purchaser Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Purchaser Indemnified Party to the extent arising out of (i) any actual, contributory or active inducement infringement of any patent, trademark, copyright or other intellectual property right pertaining to the Equipment manufactured by Seller and sold to Purchaser hereunder, except to the extent attributable to Purchaser's improper use of the Equipment or use in combination with any third party equipment or software not specified by Seller and (ii) the negligent or defective manufacture of any Proprietary Product (hereinafter as that term is defined in the Franchise Agreement) sold to Purchaser under this Agreement which is manufactured by Seller or an Affiliate of Seller, or the negligent or defective manufacturing of any Proprietary Product sold to Purchaser under this Agreement which results directly from Seller's or its Affiliate's design or specifications for such Proprietary Product.

c. **LIMITS OF LIABILITY. IN NO EVENT SHALL THE SELLER INDEMNIFIED PARTIES BE LIABLE TO PURCHASER FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR LOST PROFITS ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE PERFORMANCE OR BREACH THEREOF, EVEN IF**

SELLER HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. THE SELLER INDEMNIFIED PARTIES' LIABILITY TO PURCHASER SHALL IN NO EVENT EXCEED ANY AMOUNT ACTUALLY PAID BY PURCHASER TO SELLER UNDER THIS AGREEMENT. IN NO EVENT SHALL SELLER BE LIABLE TO PURCHASER FOR ANY DAMAGES RESULTING FROM OR RELATED TO ANY FAILURE OR DELAY OF SELLER IN THE DELIVERY OF THE SERVICES OR PARTS TO BE PROVIDED UNDER THIS AGREEMENT. THIS SECTION 9 SHALL APPLY TO ANY OTHER COMPANY OR ENTITY WHICH, IN ADDITION TO SELLER, FURNISHES AS A SUBCONTRACTOR OR OTHERWISE, ANY SERVICES HEREUNDER. THE PROVISIONS OF THIS SECTION 9 REPRESENT A REASONABLE ALLOCATION OF THE RISKS UNDER THIS AGREEMENT. SELLER'S WILLINGNESS TO ENTER INTO THIS AGREEMENT WITH PURCHASER REFLECTS THIS ALLOCATION OF RISK AND THE LIMITATIONS OF LIABILITY SPECIFIED HEREIN.

10. **Assignment.** Without the prior written consent of Seller, Purchaser shall not assign, transfer, sublicense, pledge or hypothecate this Agreement except as may be specifically provided in the Franchise Agreement, and any such purported transfer, assignment, sublicense, pledge or hypothecation shall be void and of no force or effect. Upon prior written consent of Seller, which will not be unreasonably withheld, or as otherwise specifically provided in the Franchise Agreement, Purchaser shall have the right to assign, transfer, or sell its rights, duties and obligations under this Purchase Agreement solely in connection with the sale or assignment of the franchise business as provided under the terms of the Franchise Agreement. Any assignment will not be effective unless the assignee agrees, in writing, to assume and comply with the terms of this Purchase Agreement, to assume and comply with the terms of the Service Agreement and to separately enter into and execute a SonIP License Agreement. Any transfer authorized and approved by Seller shall in no event relieve Purchaser of its obligations under this Agreement. Seller may assign this Agreement or subcontract the services to be provided under this Agreement without the consent of, or notice to, Purchaser.

11. **Default and Termination.**

a. In the event the Purchaser neglects or fails to adhere to any of its obligations hereunder, or is in default of any obligation in this Purchase Agreement, and fails to cure said failure or default within the notice period provided below (if any), at Seller's sole discretion, this Agreement may be immediately terminated upon written notice thereof to Purchaser. A default under this Agreement justifying termination shall include, but is not limited to, each of the following violations:

(i) Purchaser's failure or refusal to pay within ten (10) days after written notice to Purchaser any amounts due under the terms or conditions stated of this Agreement;

(ii) Any other violation of this Agreement not cured within ten (10) days after written notice to Purchaser; or

(iii) The delivery of notice of termination pursuant to Purchaser's default under the Service Agreement, the License Agreement, the Franchise Agreement, or any other agreement between Seller and Purchaser.

b. Except as otherwise specifically provided in the Franchise Agreement pertaining to those certain terms in which Purchaser may continue to operate the SonIP Equipment post-termination, upon termination, all services to be provided by Seller under this Agreement will cease. Upon termination all payments then due from Purchaser under this Agreement, or thereafter scheduled to become due, shall accelerate and become immediately due and payable to Seller. Purchaser shall also pay attorneys' fees and/or collection fees incurred by Seller in collecting Purchaser's account.

12. **Dispute Resolution Process and Governing Law.**

a. Except as provided in Section 12(a)(iv), the following dispute resolutions process shall be followed:

(i) In the event of any dispute relating to or arising out of the interpretation or enforcement of this Agreement or breach thereof, Purchaser and Seller agree that prior to instituting any other dispute resolution process, each party will make a good faith attempt to resolve the dispute informally through meetings and direct negotiations between executives who have authority to settle the dispute. Either party may initiate this process by giving written notice to the other party of the nature of the dispute, the party's position, its election to initiate this process and the person to conduct the negotiations on behalf of the party giving notice. The other party agrees to respond promptly and both parties agree to negotiate in good faith to attempt to resolve the dispute.

(ii) In the event the parties have not resolved the dispute within sixty (60) days of initiation of the negotiation process required under Subsection 12(a)(i), the parties agree to attempt to resolve the dispute through mediation in accordance with this Subsection 12(a)(ii). Either party may initiate mediation of the dispute with JAMS, The Resolution Experts ("JAMS"), an independent, non-profit, organization the main office of which is at 345 Park Avenue, New York, New York 10154 (telephone 212-751-2700) or its successor. The mediation shall be held in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. The parties will pay their own expenses associated with the mediation; provided, however, the fees associated with the mediator will be shared equally. The mediation proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law), and shall be deemed to be for settlement purposes only. The mediation shall be held within sixty (60) days of the initiation of the mediation process. The mediation prescribed by this provision shall be a condition precedent to the commencement of arbitration under Subsection 12(a)(iii).

(iii) If no settlement of the dispute is reached through the mediation process within ninety (90) days of the appointment of the mediator, the parties agree, except as provided in Subsection 12(a)(iv), the exclusive way to resolve all disputes shall be by arbitration by a sole arbitrator in accordance with JAMS Arbitration Rules and Procedures, and judgment on the arbitration award rendered may be entered in any court having jurisdiction. The arbitration proceeding shall take place in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. Either party may initiate the arbitration proceeding with an appropriate filing with the JAMS Arbitration Rules and Procedures. The arbitrator shall be selected by mutual agreement of the parties; provided however, in the event the parties are unable to agree upon an arbitrator within thirty (30) days of the first proposal of a list of names of potential arbitrators, either party may apply to JAMS Arbitration Rules and Procedures for selection of an arbitrator and the arbitrator selected by or in accordance with JAMS Arbitration Rules and Procedures shall be the arbitrator. The arbitrator shall allow and determine reasonable discovery and required information sharing among the parties. The arbitrator shall be neutral, impartial, independent of the parties and others having any known interest in the outcome, shall abide by the JAMS Arbitration Rules and Procedures and shall have no ex parte communications about the dispute with any party. The arbitrator shall render his/her decision within one hundred eighty (180) days of appointment. Any award rendered by the arbitrator shall be

final, conclusive and binding on the parties, and shall have the effect of a common law arbitration, and there shall be no right of appeal therefrom. In addition to any other award, the prevailing party will be entitled to recover reasonable costs and attorney fees related to the arbitration, enforcement of this arbitration provision and/or enforcement of any arbitration award. The arbitrator shall not be entitled to award punitive, special, exemplary or any similar type of damages under any circumstances. The arbitration proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law).

(iv) The dispute resolution provisions contained in this Section 12(a) shall constitute the sole and exclusive method for resolving the disputes between the parties except in the following cases:

(A) As may be necessary to preserve the status quo, to protect proprietary information or confidential trade secrets, to prevent irreparable harm, to enforce defaults arising solely out of Purchaser's failure to pay amounts due to Seller, disputes where the total amount in controversy is less than $25,000, or to compel enforcement of this Section 12(a). This Section is not a condition to, and does not preclude Seller from, exercising rights to declare an Event of Default and terminate this Agreement, nor does this provision relieve Purchaser from performing its obligations following expiration or termination of this Agreement. Purchaser consents to the jurisdiction and venue of the United States District Court for the District of Delaware in any dispute in which injunctive relief is sought as provided in this Subsection 12(a)(iv)(A).

b. This Agreement will be construed and interpreted in accordance with the substantive laws of the State of Delaware, without reference to its conflicts of law principles. To the extent that this Agreement contains provisions regarding notice periods, termination, non-renewal or the like, which are not consistent with applicable law, such provisions shall, to the extent they are inconsistent with applicable law, not be effective, and the applicable law shall apply in their place. The parties consent to jurisdiction and venue in the United States District Court for the District of Delaware for the purposes of any legal proceeding relating to this Agreement. The parties agree to service of process in any manner provided for by the laws of the State of Delaware.

13. **Delays.** The delivery date set forth on Exhibit A is an estimated date only. Seller shall not be liable for damages of any kind for delays in the delivery of goods, completion of installation, or the inability to deliver caused by or due to reasons which shall include, but not be limited to, the inability to obtain transportation, equipment, materials, fuel or power, fires, floods, storms, acts of God, embargoes, strikes, lockouts, civil strife, other labor relations problems, governmental rules, restrictions, or any other circumstances not enumerated herein which may prevent Seller from making deliveries in the normal course on a timely basis.

14. **Statute of Limitations.** Except for any third-party claim which requires indemnity under Section 9 of this Agreement, any action for breach of this contract must be commenced by Purchaser within one (1) year after the cause of action has accrued.

15. **Miscellaneous.** Any provision of this Purchase Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction only, be ineffective to the extent of such prohibition and enforceable without invalidating the remaining provisions hereof. The titles of the sections of this Purchase Agreement are for convenience only and shall not define or limit any of the terms or provisions thereof. This Purchase Agreement and the Exhibits hereto, together with the License Agreement and the Service Agreement, provide the entire understanding and agreements as between the parties, and such understanding may not be modified except in writing signed by

both of the parties. Any additional or conflicting terms in any purchase order or other document supplied by Purchaser shall be void and of no effect.

IN WITNESS WHEREOF, the parties have caused this SONIP Equipment Purchase Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

SELLER:

Stanley Convergent Security Solutions, Inc.

ATTEST:

_____ By:_____

Title:_____

Date:_____

PURCHASER:

_____

d/b/a *Sonitrol of* _____

ATTEST:

_____ By:_____

Title:_____

Date:_____

EXHIBIT A

LIST OF EQUIPMENT AND PURCHASE TERMS

Exhibit A is the attached SonIP Hardware, Software, Services quote dated _____.

Estimated Delivery Date: 60 days after receipt of PO

Payment Terms (prices do not include any applicable state and local sales or use tax).

Purchaser agrees to pay Seller $_____ (pending Pre-Site visit) for the total installation of the SonIP Equipment, upon completion of install with terms being Net 30.

Failure to comply with the payment terms set forth in this Agreement will result in the forfeiture of any discounts provided.

SONIP™ SOFTWARE LICENSE AGREEMENT

THIS SONIP SOFTWARE LICENSE AGREEMENT ("License Agreement") is made this _____*day of* _____, _____, by and between ***Stanley Convergent Security Solutions, Inc.***, a Delaware corporation with its principal place of business at **8350 Sunlight Drive, Fishers, IN 460373** ("Licensor"), and _____, *a(n)* _____ [corporation / limited liability company / partnership / individual],with its principal place of business at _____ ("Licensee").

WHEREAS, Licensor is the franchisor set forth in the Sonitrol Franchise Agreement between Licensor and Licensee, dated _____**,** _____ (the "Franchise Agreement"); and

WHEREAS, the Franchise Agreement sets forth Licensee as a franchisee of Licensor; and

WHEREAS, Licensor is a designated authorized supplier of products and services to Licensee under the Franchise Agreement; and

WHEREAS, simultaneously with entering into this Agreement, Licensee is entering into a SonIP Equipment Purchase Agreement ("Purchase Agreement") pursuant to which Licensee has purchased certain central station equipment ("SonIP Equipment," and sometimes collectively referred to with the Software Package as the "System")), as that term is defined in the Purchase Agreement, from Licensor for use in Licensee's franchise business; and

WHEREAS, also simultaneously with entering into this License Agreement, Licensee is entering into SonIP Service Agreement ("Service Agreement") to engage Licensor to maintain and service the SonIP Equipment being purchased by Licensee and certain proprietary software of Licensor for use with the SonIP Equipment; and

WHEREAS, Licensee desires to license, in accordance with the terms of this Agreement, certain software from Licensor for use with the SonIP Equipment that Licensee is purchasing.

Now, therefore, in consideration of the mutual covenants set forth in this Agreement, intending to be legally bound, Licensor and Licensee hereby agree as follows:

1. **License.**

   a. Licensor hereby grants and Licensee accepts a non-transferable (except as provided for herein under Sections 6 and 12), and non-exclusive license to use the SonIP Monitoring System Software ("Software Package"), as the Software Package is defined herein (as provided in Exhibit A), and according to the terms as provided in this License Agreement ("the License"). The Software Package shall be used on only one receiver/console combination which shall include a single backup system. If Licensee requires more than one receiver/console combination for the conduct of Licensee's business, Licensee shall be obligated to, and agrees to license, additional Software Packages for each such receiver/console combination. Licensor agrees to install each licensed version of the Software Package on each of Licensee's SonIP Equipment.

   b. The Software Package includes software and firmware programs, as well as related data and supporting documentation.

   c. This License is valid only for the operation and use of the Software Package on SonIP Equipment or such other equipment as may be expressly approved in writing by Licensor. Licensee acknowledges and agrees that use of the entire Software Package or any portions of the Software Package by Licensee on any other equipment is prohibited and may jeopardize the continuation of this License.

d. Licensee is not permitted to, and agrees to not, decompile, decipher, disassemble, reverse engineer, decrypt, or otherwise modify or print out any of the Software Package source code, or the commercial or proprietary operating program of the Software Package.

e. Licensee agrees that Licensor or its designee may remotely communicate with Licensee's system, and SonIP Equipment that contains the Software Package, for purposes of diagnostics, program verification, service pursuant to the Service Agreement, or performance of any other function deemed necessary by Licensor or its designee.

f. Licensee may not install, integrate or interface any third party software to the Software Package without the express written consent and authorization of Licensor. For any third party software that is authorized and approved by Licensor to be integrated, interfaced or used with the Software Package, and that is purchased, leased or licensed by Licensee from a third party, Licensee shall obtain and maintain any and all necessary licenses for use of such third party software. Licensee shall be solely responsible for all costs and expenses associated with service, repair, reconstruction, replacement or maintenance of the Software Package resulting from the unapproved and/or unauthorized interfacing or integration of any other software to or with the Software Package.

g. Licensor specifically reserves any and all rights, including intellectual property rights, title and interest in the Software Package that is not expressly granted to Licensee under this License Agreement.

2. **Payment.**

a. In consideration of the License granted under the terms of this Agreement, Licensee agrees to pay Licensor the one-time software license fees and the annual software license fees as set forth in Exhibit A attached hereto. The annual software license fees for the second year and thereafter shall be due and payable by Licensee to Licensor sixty (60) days in advance of the install anniversary date on an annual basis. Licensor agrees that the then current charges for the annual software licensing fee for years 2-5 under this Agreement shall not exceed a 10% increase over the prior year's annual software license fee. Licensor agrees that for any permitted assignment (e.g., a transfer or assignment that does not require the consent of Licensor or the franchisor) under the Franchise Agreement (a "Permitted Transfer"), Licensor may, in its sole discretion, permit assignment of this Agreement, or require the transferee to execute a new agreement in a form acceptable to Licensor. If Licensor requires execution of a new agreement with the transferee in connection with a Permitted Transfer, Licensor agrees that the initial annual software licensing fee shall not exceed a 10% increase over the then current year's annual software license fee under this Agreement.

b. In addition to the license fees set forth on Exhibit A hereto, Licensee shall pay Licensor for (i) onsite engineering services to setup and install the Software Package on Licensee's SonIP Equipment (ii) for SonNT or SONICS database conversion. Upon completion of the services, Licensor shall invoice Licensee for such services and payment shall be due within thirty (30) days of invoice date.

c. Licensee shall pay late charges at the rate of 1.5% per month on all overdue payments. In the event of a payment default by Licensee hereunder, in addition to all other remedies, Licensor will be entitled to recover from Licensee Licensor's cost of collection, including reasonable attorneys' fees.

3. **Term of License.**

a. The term of this Agreement shall be for a period of the shorter of (i) five (5) years from the acceptance date of the installation; (ii) the termination of the Franchise Agreement for whatever reason; and (iii) the termination of this License Agreement pursuant to Section 4 of this Agreement.

b. Licensee acknowledges and agrees that at the end of the term of this License Agreement, in order to continue to use the Software Package, Licensee will be required to renew this License Agreement or enter into a new license agreement in accordance with Licensor's then prevailing terms and conditions. Except as otherwise specifically provided in the Franchise Agreement pertaining to those certain terms in which Purchaser may continue to operate the SonIP Equipment post-termination, Licensor shall have no obligation to renew, and Licensee shall have no right to have renewed, this License Agreement. Notwithstanding the forgoing, Licensor shall have no obligation to renew, and Licensee shall have no right to have renewed, this License Agreement if Licensee is in default under this License Agreement, under any amendment to this License Agreement, the Franchise Agreement, or under any other agreement between Licensee and Licensor.

c. This Agreement is not renewable except at the discretion of Licensor; however, Licensor agrees that for any renewal of this Agreement or replacement or substitute agreement for the Software Package (each a "New Agreement"), the initial annual software license fees for such New Agreement will not be greater than 125% of the annual software license fees in effect immediately prior to the renewal, termination or expiration of this Agreement or any New Agreement. A written notice will be provided to the Licensee towards the end of the term of this Agreement, indicating intent of the Licensor.

4. **Termination.**

a. The Licensee may terminate this License Agreement at any time by providing written notice to Licensor thirty (30) days in advance of termination.

b. In the event the Licensee neglects or fails to adhere to any of its obligations hereunder, or is in default of any obligation in this License Agreement, and fails to cure said failure or default within the notice period provided below (if any), at Licensor's sole discretion, this License Agreement (and the License granted hereunder) shall immediately terminate upon written notice thereof to Licensee. A default under this License Agreement justifying termination, shall include, but is not limited to, any of the following violations,

(i) Licensee's failure to pay within ten (10) days after written notice to Licensee, any amounts due under this License Agreement when due;

(ii) Licensee providing to others or acquiring from others copies of software programs prohibited under the terms of this License Agreement;

(iii) Unauthorized or unapproved modification of the Software Package by the Licensee;

(iv) Licensee's failure to provide security of the Software Package contents or functions as required by Section 7 of this License Agreement;

(v) Any other violation of this License Agreement or any amendment to this License Agreement not cured within ten (10) days after written notice to Licensee; or

(vi) The delivery of notice of termination pursuant to Licensee's default under the Purchase Agreement, the Service Agreement, the Franchise Agreement or any other agreement between Licensor and Licensee.

c. In the event the Licensee shall cease doing business, shall be declared bankrupt, or shall suffer any attachment or lien affecting the Software Package, this Agreement will automatically and immediately terminate.

5. **Licensee Obligations Upon Termination.** Upon termination of this License Agreement, the Licensee agrees to and shall return to Licensor within thirty (30) days of the termination date, all copies and versions of the Software Package, including all software and firmware programs, archived or back-up copies of these programs, and all supporting documentation and materials provided by Licensor during the term of this License.

6. **Ownership of Software Package.**

a. Title to and ownership of the Software Package, including copies, archived or back-up media, any and all printed materials, images, sounds, automation and text incorporated into the Software Package, shall at all times remain with Licensor.

b. Any attempted transfer or other assignment by Licensee of the Software Package to any other person shall be void and of no effect. The use of the Software Package on any other system other than the identified receiver/console combination, is absolutely prohibited, unless in each case, the following conditions have been met:

(i) Prior written approval for use on another receiver/console combination is obtained from Licensor, and

(ii) Execution of a signed software license agreement, service agreement and franchise agreement, each in forms acceptable to Licensor, by the new user, if approved by Licensor, and payment of any applicable transfer fees to Licensor are made.

c. Certain software programs that are non-proprietary to Licensor, that are part of the SonIP Software Package, are licensed for specific use with the SonIP Software Package and SonIP Equipment. These software programs are protected by copyright laws and are owned by their respective suppliers. The licenses, limited warranties and limitations of liability that pertain to each such non-proprietary software program (as identified in Exhibit A) are as documented and provided in the license agreements included in the Licensee's Software Package.

d. Licensee shall preserve all of Licensor's copyright notices on, and in, all copies of the Software Package and of all copies of any non-proprietary software programs.

e. Licensee shall promptly inform Licensor in writing of any infringement of Licensor's ownership rights in the Software Package or of any unauthorized use or disclosure of the Software Package of which Licensee becomes aware.

7. **Security.**

a. Licensee agrees that it and its employees will not make the Software Package or any portion thereof (including supporting documentation or materials) available to any person other than employees of Licensee who have a need to have access and a need to know, or to any employees of Licensor.

b. Licensee agrees to take all steps reasonably required by Licensor to ensure that the Software Package is protected and secured, and not available to third parties. In addition, Licensee agrees to and shall protect the confidentiality of the Software Package with the same diligence as Licensee protects its most confidential and proprietary business information and trade secrets.

c. The Software Package in machine-readable form may be copied, in whole or part, for use by Licensee for archive or emergency restart purposes, provided that not more than three (3) machine-readable copies will be in existence at any one time.

d. During the term of this License Agreement, and limited to no more than two (2) times each calendar year, Licensee agrees to permit Licensor, on reasonable advance notice, access to Licensee's premises during normal business hours for the sole purpose of examining Licensee's records and other information relating to the Licensee's use of the Software Package. In addition, Licensee agrees to permit Licensor to remotely monitor Licensee's usage of the Software Package to determine compliance with this License Agreement. Licensee agrees to not unreasonably refuse the installation and use of necessary software monitoring tools. Licensee agrees not to intentionally circumvent or disable any such monitoring tools. If Licensee is advised by Licensor that License has circumvented or disabled any Licensor monitoring tools, Licensee agrees to promptly cease such circumvention or disabling and allow such monitoring tools to be re-installed. If any good faith examination reveals that Licensee has used the Software Package in violation of this License Agreement, then, in addition to any other remedies at law or in equity or in this License Agreement, Licensor may invoice Licensee for such unauthorized use based upon Licensor's standard fees in effect at the time the examination is completed.

8. **Training.** In consideration of the payment of the fees set forth on Exhibit A hereto, Licensor shall provide training to the employees of Licensee in the operation of the Software Package as described in detail on Exhibit B. Training, in addition to that provided on Exhibit B, may be provided in the future at reasonable charges to Licensee.

9. **Absence of Warranties. LICENSOR WARRANTS AND AGREES THAT THE SOFTWARE PACKAGE FURNISHED BY IT HEREUNDER AND THE USE THEREOF (AS SPECIFICED IN THIS AGREEMENT AND/OR ANY APPLICABLE MANUAL PROVIDED TO LICENSEE PERTAINING TO ITS USE) DOES NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT, EXCEPT TO THE EXTENT SAID INFRINGEMENT IS ATTRIBUTABLE TO LICENSEE'S IMPROPER USE OF THE SOFTWARE PACKAGE OR ITS USE IN COMBINATION WITH ANY THIRD PARTY EQUIPMENT OR SOFTWARE NOT SPECIFIED BY LICENSOR. EXCEPT FOR THE FOREGOING, LICENSOR AND ITS AFFILIATES MAKE NO REPRESENTATIONS, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, ON WHICH LICENSEE MAY RELY, WITH RESPECT TO THE MERCHANTABILITY, FITNESS, CONDITION, QUALITY, DURABILITY OR SUITABILITY FOR LICENSEE'S PURPOSES OF THE SOFTWARE PACKAGE IN ANY RESPECT, OR THE SOFTWARE PACKAGE'S COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, LATENT DEFECTS, THAT THE OPERATION OF THE SOFTWARE WILL BE ERROR FREE OR UNINTERRUPTED OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED. LICENSOR ASSIGNS TO LICENSEE ANY MANUFACTURER AND VENDOR WARRANTIES IT MAY HAVE WHICH ARE APPLICABLE TO THE SOFTWARE PACKAGE.**

10. **Limitation of Liability. IN NO EVENT WILL LICENSOR BE LIABLE FOR ANY DAMAGES OF ANY NATURE WHATSOEVER RESULTING FROM, OR RELATED TO, THE LOSS, DELAY OR INABILITY TO USE THE SOFTWARE PACKAGE, THE LOSS OF OR DAMAGE TO ANY DATA, INFORMATION, SOFTWARE, PRODUCTS, AND/OR EQUIPMENT CAUSED BY THE SOFTWARE PACKAGE, WHETHER FOR BREACH OF CONTRACT, IN TORT OR**

OTHERWISE UNLESS SAID DAMAGES ARISE SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LICENSOR. NOTWITHSTANDING THE FORGOING, IN NO EVENT SHALL LICENSOR, ITS AFFILIATES, THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, BE LIABLE TO LICENSEE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR LOST PROFITS ARISING OUT OF OR RELATED TO THIS LICENSE AGREEMENT OR THE PERFORMANCE OR BREACH THEREOF, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. LICENSOR, ITS AFFILIATES, THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEE AND AGENTS' LIABILITY TO LICENSEE SHALL IN NO EVENT EXCEED THE AMOUNT OF THE ONE-TIME SOFTWARE LICENSE FEES PAID TO LICENSOR UNDER THIS LICENSE AGREEMENT BY THE LICENSEE. IN NO EVENT SHALL LICENSOR BE LIABLE TO LICENSEE FOR ANY DAMAGES RESULTING FROM OR RELATED TO ANY FAILURE OR DELAY OF LICENSOR IN THE DELIVERY OF THE SOFTWARE PACKAGE.

THE PROVISIONS OF THIS SECTION 10 AND SECTION 11 BELOW REPRESENT A REASONABLE ALLOCATION OF THE RISKS UNDER THIS AGREEMENT. LICENSOR'S WILLINGNESS TO ENTER INTO THIS AGREEMENT WITH FRANCHISEE REFLECTS THIS ALLOCATION OF RISK AND THE LIMITATIONS OF LIABILITY SPECIFIED HEREIN.

11. **Indemnity.**

a. **Indemnity of Licensee.** Licensee assumes liability for and shall indemnify, protect, save and keep harmless Licensor, its affiliates, their respective agents, employees, successors, assigns, officers and directors, (the "Licensor Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Licensor Indemnified Party in any way relating to or arising out of Licensee's operation of the System, including Licensee's negligent or otherwise improper use of either the SonIP Equipment or the Software Package, except to the extent caused by the gross negligence or willful misconduct of Seller. This indemnity shall continue in full force and effect, notwithstanding the termination of this Agreement.

b. **Indemnity of Licensor.** Licensor shall indemnify, protect, save and keep harmless Licensee its agents, employees, successors, assigns, officers and directors, (the "Licensee Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Licensee Indemnified Party to the extent arising out of (i) any actual, contributory or active inducement infringement of any patent, trademark, copyright or other intellectual property right pertaining to the Software Package licensed to Licensee hereunder except to the extent attributable to Licensee's improper use of the Software Package or use in combination with any third party equipment or software not specified by Seller and (ii) the negligent or defective manufacture of any Proprietary Product (hereinafter as that term is defined in the Franchise Agreement) licensed to Licensee under this Agreement which is manufactured by Licensor or an Affiliate of Licensor, or the negligent or defective manufacturing of any Proprietary Product licensed to Licensee under this Agreement which results directly from Licensor's or its Affiliate's design or specifications for such Proprietary Product.

12. **No Assignment by Licensee.** Without the prior written consent of Licensor, which shall not be unreasonably withheld, Licensee shall not assign, transfer, sublicense, pledge or hypothecate this License Agreement or the license granted by this License Agreement, and any such purported transfer, assignment, sublicense, pledge or hypothecation shall be void and of no force or effect. Any permitted transfer, as provided under Section 6 of this License Agreement, shall be subject

to the terms of this License Agreement and shall in no event relieve Licensee of its obligations under this License Agreement. Licensor may assign this Agreement without the consent of, or notice to, the Licensee.

13. **Waiver.** No delay or omission on the part of Licensor in exercising any right shall operate as a waiver of any such right or of any other right under this License Agreement, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

14. **Notices.** Any notices required to be given under this License Agreement shall be given in writing to the parties at the addresses set forth below:

If to Licensor, to:
Stanley Convergent Security Solutions, Inc.
8350 Sunlight Drive
Fishers, Indiana 46037
Attention: President

With copy to:
Stanley Convergent Security Solutions, Inc.
14670 Cumberland Road
Noblesville, IN 46060
Attention: Counsel

If to Licensee, to:
_____
_____
_____

Notices shall be personally delivered, delivered by overnight mail, or mailed certified mail, return receipt requested. Notice shall be deemed to have been received (a) on the date of delivery if delivered by hand, (b) the next business day if delivered by a nationally recognized overnight delivery service, or (c) the third business day from the date of mailing, if delivered by certified mail.

15. **Trial by Jury and Choice of Law.**

a. Both parties to this Agreement knowingly, voluntarily and intentionally waive any right they may have to a trial by jury in respect of any litigation arising out of, under, in connection with, or relating to this Agreement.

b. This Agreement will be construed and interpreted in accordance with the substantive laws of the State of Delaware, without reference to its conflicts of law principles. To the extent that this Agreement contains provisions regarding notice periods, termination, non-renewal or the like, which are not consistent with applicable law, such provisions shall, to the extent they are inconsistent with applicable law, not be effective, and the applicable law shall apply in their place. The parties consent to jurisdiction and venue in the United States District Court for the District of Delaware for the purposes of any legal proceeding relating to this Agreement. The parties agree to service of process in any manner provided for by the laws of the State of Delaware.

16. **Miscellaneous.** Any provision of this License Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition and enforceable without invalidating the remaining provisions hereof. The titles of the sections of this

License Agreement are for convenience only and shall not define or limit any of the terms or provisions thereof. If there be more than one Licensee to this Agreement, the liability of each shall be joint and several. This License Agreement and any Exhibits hereto, together with the Purchase Agreement and the Service Agreement, contain the entire understanding of the parties, and such understanding may not be modified except in writing signed by the parties and by any proper assignee. Any additional or conflicting terms in any purchase order or other document supplied by Purchaser shall be void and of no effect.

17. Licensor will use commercially reasonable efforts to improve and advance the technology, function and design of the System. Licensee acknowledges the importance of using current software in using the System. Licensor may from time to time make available to Licensee replacement or upgrade software for the System, or additions thereto. Licensor may designate or approve new or additional SonIP Software, add or discontinue SonIP Software in its reasonable discretion but subject to the terms of the Franchise Agreement and the Licensor Franchise Standards Manual. Licensor will not discontinue any SonIP Software without providing for substitute software for the System.

IN WITNESS WHEREOF, the parties have caused this License Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

COMPANY:

Stanley Convergent Security Solutions, Inc.

ATTEST: _____ By: _____

Title: _____

Date: _____

LICENSEE:

_____

d/b/a *Sonitrol of* _____

ATTEST: _____ By: _____

Title: _____

Date: _____

EXHIBIT A

LIST OF EQUIPMENT AND PURCHASE TERMS

Exhibit A is the attached SonIP Hardware, Software, Services quote dated _____.

Payment Terms (prices do not include any applicable state and local sales or use tax).

Purchaser agrees to pay Seller $_____ for the annual Software License Fee (per SonIP Console) for the continued use of the SonIP software, with terms being Net 30.

Failure to comply with the payment terms set forth in this Agreement will result in the forfeiture of any discounts provided.

EXHIBIT B

SonIP Training

The initial SonIP Training Session is included within the SonIP Quote for a class of up to **12** students. Subsequent training after deployment will be provided at the published rate. If the Franchisee designates less than 12 students to be trained during the initial session the published training rate still applies for all subsequent training sessions.

The SonIP Training Session includes the following:

- Sections:
  - Monitoring
  - Data Entry
  - Administration
  - Reports
- Product Manuals and Course Workbooks are provided for each registered student.
- The class will be either a Certified Instructor Led Power Point SonIP Training class or Certified Web Based SonIP Training Class (Franchisor option).
- Course relevant quizzes to assist in review of material
- Certification Test
- Printed or Electronic Test Certificate on successful completion of the Certification Test. Training Certificates are valid for a period of two (2) years from successful course completion.

Initial SONIP Training schedule shall be coordinated between the Franchisor and the Franchisee to occur before or during the week of SonIP deployment. It is the responsibility of the Franchisee to ensure the student's attendance and attention in class.

SONIP™ SERVICE AGREEMENT

THIS SONIP™ SERVICE AGREEMENT ("Agreement") made this _____ day of _____, _____, by and between ***Stanley Convergent Security Solutions, Inc***., a Delaware corporation with its principal place of business at **8350 Sunlight Drive, Fishers, Indiana 46037** ("Stanley"), and _____**,** *a(n)* _____ *[corporation / limited liability company / partnership / individual], with its principal place of business at* _____ ("Franchisee").

WHEREAS, Stanley is the franchisor set forth in the Sonitrol Franchise Agreement between Stanley and Franchisee, dated _____**,** _____ (the "Franchise Agreement"); and

WHEREAS, the Franchise Agreement sets forth Franchisee as a franchisee of Stanley; and

WHEREAS, Stanley is a designated authorized supplier of products and services to Franchisee under the Franchise Agreement;

WHEREAS, simultaneously with entering into this Agreement, Franchisee is entering into a SonIP Equipment Purchase Agreement ("Purchase Agreement") pursuant to which Franchisee has purchased certain central station equipment ("SonIP Equipment"), as that term is defined in the Purchase Agreement, from Stanley for use in its franchise business;

WHEREAS, also simultaneously with entering into this Agreement, Franchisee is entering into a SonIP Software License Agreement ("License Agreement") with Stanley to license the use of certain proprietary software intended for use with the SonIP Equipment purchased under the Purchase Agreement;

WHEREAS, the Franchisee agrees to engage Stanley to maintain and service the SonIP Equipment and the proprietary software package licensed to Franchisee pursuant to the License Agreement (the "Software Package," and sometimes collectively referred to with the SonIP Equipment as the "System") subject to the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the mutual covenants set forth in this Agreement, intending to be legally bound, Stanley and Franchisee hereby agree as follows:

1. **Term.** The term of this Agreement shall be for a period of one year ("Initial Term") commencing upon the date of complete installation of the System. Unless written notice of intent not to renew is given by either party within 30 days of the end of the Initial Term or any Renewal Term of this Agreement, this Agreement shall automatically renew for successive one-year periods ("Renewal Term").

2. **Service.** During the term of this Agreement, Stanley will provide the following services required to maintain the System (the "Services"):

   a. Twenty-four hour telephone availability of field engineer to assist Franchisee's staff in diagnosing problem(s).

   b. Parts replacement or exchange as outlined in the "Parts Bank" program procedures, as modified by Stanley in its sole discretion from time to time (See Exhibit B to this Agreement for current procedures).

   c. Availability of on-site field engineer, in the event Stanley deems such on-site field service is necessary for emergency services. Franchisee shall be charged by, and agrees to pay, Stanley for the field engineer's on-site time and reasonable travel expenses, with prior Franchisee approval. There will be no charge if this occurs during the 1 year warranty period.

Stanley will have no obligation to provide any Services with respect to hardware, firmware or software which are not part of the System. Franchisee acknowledges that the System is not a fully integrated, self-contained system, but rather it is connected to other computer equipment acquired by Franchisee, and Franchisee shall be solely responsible for the care, maintenance and servicing of such other hardware, firmware and software. In the event that Franchisee fails to maintain or service such other hardware, firmware or software, any resulting damage to the System shall not be covered by this Agreement and Franchisee will be responsible for all charges by Stanley in order to repair the System.

3. **Charges.** In consideration for the Services provided by Stanley or its designee, during the Initial Term of this Agreement, Franchisee agrees to pay Stanley the charges set forth in Exhibit A hereto. During any Renewal Term, Franchisee agrees to pay Stanley's then current charges for the Services provided, or to be provided, under this Agreement, which such current service charges shall not exceed a 10% increase over the prior year's service charges and rates for similar services provided under this Agreement. Payment shall be made within 30 days of the date of invoice. Any amounts not paid by the due date are subject to an interest charge at the rate of 1-½% per month, compounded monthly on all amounts overdue until paid. In the event of a payment default by Franchisee, in addition to all other remedies, Stanley will be entitled to recover from Franchisee Stanley's cost of collection, including reasonable attorneys' fees. Franchisee shall pay all shipping charges for repaired or replacement parts, (only after initial 1 year warranty period) and all foreign, federal, state or local sales, excise, use, document, stamp, intangible or other taxes, duties or assessments which are levied or imposed on this Service Agreement or any payments required hereunder. Stanley agrees that for any permitted assignment (e.g., a transfer or assignment that does not require the consent of Stanley or the franchisor) under the Franchise Agreement (a "Permitted Transfer"), Stanley may, in its sole discretion, permit assignment of this Service Agreement, or require the transferee to execute a new agreement in a form acceptable to Stanley. If Stanley requires execution of a new agreement with the transferee in connection with a Permitted Transfer, Stanley agrees that the initial service charges shall not exceed a 10% increase over the then current year's service charges under this Service Agreement.

4. **Default and Termination.**

a. In the event the Franchisee neglects or fails to adhere to any of its obligations hereunder, or is in default of any obligation in this Service Agreement, and fails to cure said failure or default within the notice period provided below (if any), at Stanley's sole discretion, this Agreement shall immediately terminate upon written notice thereof to Franchisee. A default under this Agreement justifying termination shall include, but is not limited to, each of the following violations:

(i) Franchisee's failure or refusal to pay within ten (10) days after written notice to Franchisee any amounts due under the terms or conditions stated of this Agreement;

(ii) Any other violation of this Agreement or any amendment to this Agreement not cured within ten (10) days after written notice to Franchisee; or

(iii) The delivery of notice of termination pursuant to Franchisee's default under the Purchase Agreement, the License Agreement, the Franchise Agreement, or any other agreement between Stanley and Franchisee.

b. Except as otherwise specifically provided in the Franchise Agreement pertaining to those certain terms in which Franchisee may continue to operate the SonIP Equipment post-termination, upon termination, all Services to be provided by Stanley under this Agreement will cease. Upon termination all payments then due by Franchisee, or thereafter scheduled to become due, shall accelerate and become immediately due and payable to Stanley. Franchisee shall also pay attorneys' fees and/or collection fees incurred in collecting Franchisee's account.

5. Responsibilities of the Franchisee and Maintenance Limitations or Exclusions.

a. Stanley shall be under no obligation to furnish any Services or replacement parts for failures that result from any of the following causes or circumstances:

(i) Franchisee's failure to procure, install or have maintenance performed on equipment not covered by this Agreement, including without limitation, PCs, printers, transmission lines, and/or telephone equipment necessary for the transmission of data.

(ii) Failure of electrical power, power conditioners, air conditioning, or any other failure relating to the facilities where the System is installed and maintained.

(iii) Accident, lightning damage, fire or other hazard, transportation, neglect, misuse, abuse, improper use, or any other cause beyond the scope of normal and intended usage.

(iv) Franchisee's failure to perform maintenance, installation or repair to the SONIP Equipment (without the prior written approval from Stanley), except for operator level preventative maintenance.

(v) Failures resulting from equipment that has been modified or reconfigured not within Stanley's specifications, or problems arising from foreign equipment or software that has been attached to the System without Stanley's authorization.

(vi) Failure of Franchisee to perform operator level preventative maintenance as defined in Stanley's applicable standards and service manuals or those of its vendors.

(vii) Failures caused by magnetic tapes, disks or other supplies not meeting Stanley's specifications. (Franchisee acknowledges that supplies are not furnished.)

(viii) Operator or user error, including failure to follow back-up procedures or the editing of computer files.

(ix) Local union regulations, or

(x) Failures relating to the failure of or failure to maintain any equipment, hardware, firmware or software attached to the System or to maintain current antivirus protection and firewalls or the failure of any antivirus software or firewalls.

b. Stanley does not provide Service external to the SONIP Equipment. If Franchisee has connected external hardware (such action is subject to approval by Stanley pursuant to paragraph 6 below), upon request, Franchisee shall remove any such external hardware or other devices connected to the System so Stanley's technical personal may properly evaluate the problem.

c. Time spent on Service calls related to limitations or exclusions set forth in this section will be invoiced at Stanley's then current standard service rates.

d. Franchisee shall ensure that an outside telephone line is available and that remote diagnostic aids (pcAnywhere or equivalent) remain resident on the server for assistance in troubleshooting any service calls. Upon request, Franchisee agrees to take all reasonable steps to facilitate such remote support, including activation of remote connection.

e. Franchisee accepts sole responsibility for the connection of the System to the Internet. Franchisee agrees to and shall install a firewall approved and certified by ICSA Labs. Franchisee acknowledges that as of the effective date of this Service Agreement, ICSA Labs is the recognized standards entity for information security products. ICSA Labs is a division of CyberTrust, Inc.

The firewall to be installed and maintained by Franchisee must meet the current version of ICSA Firewall standards 3.0a or the Baseline+Corporate standards of Modular Firewall Certification Criteria Version 4.1 (Final) and greater. These current criteria are available at the following URL:

http://www.icsalabs.com

A list of ICSA Approved Firewalls, as of the date of installation of the System is available at the following URL:

http://www.icsalabs.com

Franchisee agrees to and shall also install Anti-Virus software and Franchisee shall also adhere to the then current ICSA Labs standards. The current criteria are available at the following URL:

http://www.icsalabs.com

Stanley may change these requirements with any relevant advances in technology, and as new standards are established in accordance with necessary protective criteria.

Stanley is under no obligation for failures that result from Internet compromises or virus attacks from the Internet.

f. Franchisee shall ensure licensing compliance for all Off-the-Shelf software and hardware products, including those installed on the System, as well as on any peripheral systems networked to the System, including without limitation, terminal servers, and web servers.

g. Franchisee shall furnish appropriate bandwidth considerations to perform internal and external connectivity requirements for the System as specified at the time of installation of the System.

6. **Alterations, Attachments and Networking of SonIP Equipment.** Alterations in, or attachments to, the SonIP Equipment may not be made by Franchisee without the prior written consent of Stanley and will be permitted only if such alterations or attachments do not interfere with the normal operation of the SonIP Equipment. If such written consent is given, Franchisee agrees, upon request from Stanley, to promptly remove the alteration or the attachment and restore the SonIP Equipment to its normal condition. Unauthorized alterations will void Stanley's service obligations under this Agreement.

7. **Absence of Warranties on Parts.** Franchisee acknowledges that the parts to be provided under this Agreement will be of a type, design, size, capacity and manufacture selected by Franchisee; and that Stanley will not, and has no obligation to separately inspect the parts being provided. **STANLEY WARRANTS AND AGREES THAT ANY PARTS MANUFACTURED BY STANLEY WHICH ARE FURNISHED BY IT HEREUNDER DO NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT, EXCEPT TO THE EXTENT SAID INFRINGEMENT IS ATTRIBUTABLE TO FRANCHISEE'S USE OF SAID PARTS IN COMBINATION WITH ANY THIRD PARTY EQUIPMENT OR SOFTWARE NOT SPECIFIED BY STANLEY. EXCEPT FOR THE FOREGOING, STANLEY AND ITS AFFILIATES MAKE NO REPRESENTATIONS, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED, ON WHICH FRANCHISEE MAY RELY, WITH RESPECT TO THE MERCHANTABILITY, FITNESS, CONDITION, QUALITY, DURABILITY OR SUITABILITY FOR FRANCHISEE'S PURPOSES OF THE PARTS PROVIDED IN ANY RESPECT, OR THE PARTS' COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, LATENT DEFECTS, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED. STANLEY ASSIGNS TO FRANCHISEE ANY MANUFACTURER AND VENDOR WARRANTIES IT MAY HAVE WHICH ARE APPLICABLE TO THE PARTS PROVIDED PURSUANT TO THE SERVICE AGREEMENT.**

8. **Indemnification and Limitation of Liability.**

a. Indemnity of Franchisee. Franchisee assumes liability for and shall indemnify, protect, save and keep harmless Stanley, its affiliates, their respective agents, employees, successors, assigns, officers and directors, (the Stanley Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Stanley Indemnified Party in any way relating to or arising out of Franchisee's (i) operation of the System, including Franchisee's negligent or otherwise improper use of either the SonIP Equipment or the Software licensed under the SonIP Software License Agreement, except to the extent caused by Stanley's gross negligence or willful misconduct.

b. Indemnity of Stanley. Stanley shall indemnify, protect, save and keep harmless Franchisee its agents, employees, successors, assigns, officers and directors, (the Franchisee Indemnified Parties") from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by, or asserted against any Franchisee Indemnified Party to the extent arising out of (i) any actual, contributory or active inducement infringement of any patent, trademark, copyright or other intellectual property right Stanley hereunder except to the extent attributable to Franchisee's improper use of the System or use of the System in combination with any third party equipment or software not specified by Seller and (ii) the negligent or defective manufacture of any Proprietary Product (hereinafter as that term is defined in the Franchise Agreement) sold to Purchaser under this Agreement which is manufactured by Seller or an Affiliate of Seller, or the negligent or defective manufacturing of any Proprietary Product sold to Purchaser under this Agreement which results directly from Seller's or its Affiliate's design or specifications for such Proprietary Product.

c. **Limitation of Liability. IN NO EVENT SHALL THE STANLEY INDEMNIFIED PARTIES BE LIABLE TO FRANCHISEE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR LOST PROFITS ARISING OUT OF OR RELATED TO THIS SERVICE AGREEMENT OR THE PERFORMANCE OR BREACH THEREOF, EVEN IF STANLEY HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. THE STANLEY INDEMNIFIED PARTIES' LIABILITY TO FRANCHISEE SHALL IN NO EVENT EXCEED ANY AMOUNT ACTUALLY PAID TO STANLEY UNDER THIS SERVICE AGREEMENT BY THE FRANCHISEE. IN NO EVENT SHALL STANLEY BE LIABLE TO FRANCHISEE FOR ANY DAMAGES RESULTING FROM OR RELATED TO ANY FAILURE OR DELAY OF STANLEY IN THE DELIVERY OF THE SERVICES OR PARTS TO BE PROVIDED UNDER THIS SERVICE AGREEMENT. THIS SECTION 8 SHALL APPLY TO ANY OTHER COMPANY OR ENTITY WHICH, IN ADDITION TO STANLEY, FURNISHES AS A SUBCONTRACTOR OR OTHERWISE, ANY SERVICES HEREUNDER. THE PROVISIONS OF THIS SECTION 8 REPRESENT A REASONABLE ALLOCATION OF THE RISKS UNDER THIS AGREEMENT. STANLEY'S WILLINGNESS TO ENTER INTO THIS AGREEMENT WITH FRANCHISEE REFLECTS THIS ALLOCATION OF RISK AND THE LIMITATIONS OF LIABILITY SPECIFIED HEREIN.**

9. **Waiver.** No delay or omission on the part of Stanley in exercising any right shall operate as a waiver of any such right or of any other right under this Agreement, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

10. **Notices.** Any notices required to be given under this Agreement shall be given as provided by the notice provisions of the License Agreement.

11. **No Assignment by Franchisee.** Without the prior written consent of Stanley, Franchisee shall not assign, transfer, sublicense, pledge or hypothecate this Agreement except as may be specifically provided in the Franchise Agreement, and any such purported transfer, assignment, sublicense, pledge

or hypothecation shall be void and of no force or effect. Upon prior written consent of Stanley, which will not be unreasonably withheld, or as otherwise specifically provided in the Franchise Agreement, Franchisee shall have the right to assign, transfer, or sell its rights, duties and obligations under this Service Agreement solely in connection with the sale or assignment of the franchise business as provided under the terms of the Franchise Agreement. Any assignment will not be effective unless the assignee agrees, in writing, to assume and comply with the terms of this Service Agreement, to assume and comply with the terms of the Purchase Agreement and to separately enter into and execute a SonIP License Agreement. Any transfer authorized and approved by Stanley shall in no event relieve Franchisee of its obligations under this Agreement. Stanley may assign this Agreement or subcontract the services to be provided under this Agreement without the consent of, or notice to, Franchisee.

12. **Dispute Resolution Process and Governing Law.**

a. Except as provided in Section 12(a)(iv), the following dispute resolutions process shall be followed:

(i) In the event of any dispute relating to or arising out of the interpretation or enforcement of this Agreement or breach thereof, Purchaser and Seller agree that prior to instituting any other dispute resolution process, each party will make a good faith attempt to resolve the dispute informally through meetings and direct negotiations between executives who have authority to settle the dispute. Either party may initiate this process by giving written notice to the other party of the nature of the dispute, the party's position, its election to initiate this process and the person to conduct the negotiations on behalf of the party giving notice. The other party agrees to respond promptly and both parties agree to negotiate in good faith to attempt to resolve the dispute.

(ii) In the event the parties have not resolved the dispute within sixty (60) days of initiation of the negotiation process required under Subsection 12(a)(i), the parties agree to attempt to resolve the dispute through mediation in accordance with this Subsection 12(a)(ii). Either party may initiate mediation of the dispute with JAMS, The Resolution Experts ("JAMS"), an independent, non-profit, organization the main office of which is at 345 Park Avenue, New York, New York 10154 (telephone 212-751-2700) or its successor. The mediation shall be held in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. The parties will pay their own expenses associated with the mediation; provided, however, the fees associated with the mediator will be shared equally. The mediation proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law), and shall be deemed to be for settlement purposes only. The mediation shall be held within sixty (60) days of the initiation of the mediation process. The mediation prescribed by this provision shall be a condition precedent to the commencement of arbitration under Subsection 12(a)(iii).

(iii) If no settlement of the dispute is reached through the mediation process within ninety (90) days of the appointment of the mediator, the parties agree, except as provided in Subsection 12(a)(iv), the exclusive way to resolve all disputes shall be by arbitration by a sole arbitrator in accordance with JAMS Arbitration Rules and Procedures, and judgment on the arbitration award rendered may be entered in any court having jurisdiction. The arbitration proceeding shall take place in the Wilmington, Delaware metropolitan area, or at any other location mutually agreed upon by the parties. Either party may initiate the arbitration proceeding with an appropriate filing with the JAMS Arbitration Rules and Procedures. The arbitrator shall be selected by mutual agreement of the parties; provided however, in the event the parties are unable to agree upon an arbitrator within thirty (30) days of the first proposal of a list of names of potential arbitrators, either party may apply to JAMS Arbitration Rules and Procedures

for selection of an arbitrator and the arbitrator selected by or in accordance with JAMS Arbitration Rules and Procedures shall be the arbitrator. The arbitrator shall allow and determine reasonable discovery and required information sharing among the parties. The arbitrator shall be neutral, impartial, independent of the parties and others having any known interest in the outcome, shall abide by the JAMS Arbitration Rules and Procedures and shall have no ex parte communications about the dispute with any party. The arbitrator shall render his/her decision within one hundred eighty (180) days of appointment. Any award rendered by the arbitrator shall be final, conclusive and binding on the parties, and shall have the effect of a common law arbitration, and there shall be no right of appeal therefrom. In addition to any other award, the prevailing party will be entitled to recover reasonable costs and attorney fees related to the arbitration, enforcement of this arbitration provision and/or enforcement of any arbitration award. The arbitrator shall not be entitled to award punitive, special, exemplary or any similar type of damages under any circumstances. The arbitration proceedings and the outcome thereof shall be strictly confidential (except as required to be disclosed by applicable law).

(iv) The dispute resolution provisions contained in this Section 12(a) shall constitute the sole and exclusive method for resolving the disputes between the parties except in the following cases:

(A) As may be necessary to preserve the status quo, to protect proprietary information or confidential trade secrets, to prevent irreparable harm, to enforce defaults arising solely out of Purchaser's failure to pay amounts due to Seller, disputes where the total amount in controversy is less than $25,000, or to compel enforcement of this Section 12(a). This Section is not a condition to, and does not preclude Seller from, exercising rights to declare an Event of Default and terminate this Agreement, nor does this provision relieve Purchaser from performing its obligations following expiration or termination of this Agreement. Purchaser consents to the jurisdiction and venue of the United States District Court for the District of Delaware in any dispute in which injunctive relief is sought as provided in this Subsection 12(a)(iv)(A).

b. This Agreement will be construed and interpreted in accordance with the substantive laws of the State of Delaware, without reference to its conflicts of law principles. To the extent that this Agreement contains provisions regarding notice periods, termination, non-renewal or the like, which are not consistent with applicable law, such provisions shall, to the extent they are inconsistent with applicable law, not be effective, and the applicable law shall apply in their place. The parties consent to jurisdiction and venue in the United States District Court for the District of Delaware for the purposes of any legal proceeding relating to this Agreement. The parties agree to service of process in any manner provided for by the laws of the State of Delaware.

13. **Miscellaneous.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition and enforceable without invalidating the remaining provisions hereof. The titles of the sections of this Agreement are for convenience only and shall not define or limit any of the terms or provisions thereof. If there is more than one Franchisee party to this Agreement, the liability of each Franchisee party shall be joint and several. This Agreement and any Exhibit executed by the parties, together with the License Agreement and the Purchase Agreement, contain the entire understanding of the parties, and such understanding may not be modified except in writing signed by the parties. Any additional or conflicting terms in any purchase order or other document supplied by Franchisee shall be void and of no effect.

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this SonIP Service Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

COMPANY:

Stanley Convergent Security Solutions, Inc.

ATTEST:

_____ By: _____

Title: _____

Date: _____

FRANCHISEE:

_____

d/b/a *Sonitrol of* _____

ATTEST:

_____ By: _____

Title: _____

Date: _____

EXHIBIT A

LIST OF EQUIPMENT AND PURCHASE TERMS

Exhibit A is the attached SonIP Hardware, Software, Services quote dated _____.

Payment Terms (prices do not include any applicable state and local sales or use tax).

Purchaser agrees to pay Seller $ _____ for the annual Service Fee for the support of the SonIP Equipment, with terms being Net 30.

Failure to comply with the payment terms set forth in this Agreement will result in the forfeiture of any discounts provided.

EXHIBIT B

SONIP
Stanley Convergent Security Solutions, Inc.
MRA/Parts Service

FRANCHISEES UNDER SERVICE CONTRACT:

1. If you have a Service Contract, call (800) 654-6061 to request assistance.

2. The Stanley Dash Line will work with your personnel to determine what parts are required, if any, and will order such parts from the Parts Bank.

3. Parts will be delivered to your door within forty-eight (48) hours. You may, if you wish, authorize special services ranging from guaranteed delivery to next flight out. Each of these services will be billed to you as additional charges, unless specified by the Stanley Dash Line.

4. On the day after the delivery, you must return the defective part, which should be packaged in the ***same package*** in which the replacement part was received. ***It is your responsibility*** to arrange for a pick-up of the parts to be returned. You may choose the carrier for return of the defective parts. All defective parts must be returned to Orlando, Florida within 48 hours of receipt of the replacement parts. Shipments of returned defective parts must be second day air. Please make a note regarding the problem with the unit and place it on the defective part by using a tag or defective tape.

5. When using the Parts Bank, the Franchisee accepts the permanent replacement part, in lieu of receiving the original part back.

6. Parts damaged due to improper shipping or handling, abuse, misuse, lightning, excessive voltage, vandalism, water damage or improper use or application will be replaced and Franchisee shall be billed at full replacement value. Franchisee agrees to pay Stanley for the full replacement value for parts damages as provided within this section.

   REMINDER: ***If the part is not returned within 48 hours after receipt of the replacement part, you will be invoiced for the full purchase price of the part delivered and it will become part of your inventory.***

7. Freight to your facility and return freight to Stanley's dock is the responsibility of the Franchisee and will be billed accordingly.

MYSONITROL.NET AGREEMENT

This MySonitrol.net Agreement (the "Agreement"), dated as of the date set forth below, is between Stanley Convergent Security Solutions, Inc., a Delaware corporation ("Sonitrol") and the undersigned franchisee ("Franchisee").

Whereas, Franchisee is a Sonitrol franchisee pursuant to the terms and conditions of a Sonitrol Franchise Agreement dated _____ ("Franchise Agreement"), and

Whereas, as a service to Sonitrol franchisees and their account subscribers ("Subscribers"), Sonitrol and/or its Approved Vendors (as defined in the Franchise Agreement and designated by Sonitrol from time-to-time to provide certain services under this Agreement) hosts and maintains its proprietary web site accessible at www.mySonitrol.net (the "Web Site"), and

Whereas, Franchisee desires to have access to certain tools and services (previously defined as mySonitrolSTANDARD and mySonitrolPRO) and the Sonitrol Mobile App which are hosted services via the Web Site that will permit Franchisee to input and retrieve certain information regarding Subscribers, which information is more fully described in the privacy policy posted on the Web Site ("Personal Information"), and

Whereas, Franchisee also understands that there may be some additional yet to be defined optional features associated with the Sonitrol Mobile App that may have separate costs associated with them above and beyond the fees noted in this agreement, and

Whereas, Franchisee further desires to make the Web Site accessible for use by its subscribers for the purpose of inputting and retrieving Personal Information, and in certain applications performing video based activities, pursuant to the terms of a Web Site User agreement in a form prescribed by Sonitrol.

Now, therefore, by signing below and using Franchisee's assigned password to access the Web Site, Franchisee agrees to the following terms and conditions:

1. Franchisee acknowledges that the Personal Information that is displayed over the Web Site is provided by (a) Franchisee electronically inputting Personal Information through SonNT and SONIP™ ("Central Monitoring Station") applications or by other means of modifying the Central Monitoring Station database, (b) Franchisee electronically inputting Personal Information over the Web Site, (c) the subscriber electronically inputting Personal Information over the Web Site, (d) Sonitrol, or its Approved Vendor, electronically retrieving Personal Information from the data base of Franchisee's Central Monitoring Station, and (e) video cameras installed in the Subscriber's premises. Franchisee hereby agrees that Sonitrol, or its Approved Vendor, may electronically access the database of Franchisee's Central Monitoring Station to retrieve Personal Information for each Subscriber and, based upon input from the Franchisee or Subscribers accessing the Web Site, to electronically change Personal Information stored in the database of the Central Monitoring Station. Further, Franchisee agrees to maintain

the computer hardware and software specified by Sonitrol, or its Approved Vendor, and to maintain the necessary communication links, that will enable Sonitrol, or its Approved Vendor, to electronically access Personal Information stored in the database of the Central Monitoring Station. Further, Franchisee agrees to comply with all standards and procedures regarding the use of the Web Site that are promulgated by Sonitrol from time to time.

2. Franchisee acknowledges that the content of Personal Information that is displayed over the Web Site is based upon information that is provided by Franchisee or the Subscriber. Sonitrol and its Approved Vendor are not responsible for the accuracy of Personal Information, and any reliance by Franchisee on Personal Information shall be at Franchisee's own risk. Franchisee agrees to indemnify and hold Sonitrol and its Approved Vendor, harmless from all claims, suits, losses, damages and expenses, including attorney's fees, arising out of or related to any errors in the Personal Information that is displayed over the Web Site.

3. Franchisee acknowledges that it is an independently owned and operated franchise of Sonitrol and Franchisee agrees that the fact that Sonitrol is making the Web Site available for the use by Franchisee and its subscribers does not and shall not create an agency relationship between Sonitrol and Franchisee.

4. Sonitrol and its Approved Vendor may monitor use of the Web Site by Franchisee and Subscriber and, subject to the stated privacy policy for the Web Site, may freely use any Personal Information and materials received from or collected over the Web Site for sales or marketing analysis, determining Web Site Usage, responding to Franchisee or Subscriber inquiries, and any other lawful reason or purpose consistent with the terms of this Agreement and the Franchisee Agreement.

5. Sonitrol may change, suspend or discontinue the Web Site, or any aspect thereof, at any time, including the availability of any Web Site feature, database, or content. Sonitrol also may impose limits on certain features and services or restrict Franchisee's or Subscriber's access to parts or all of the Web Site without notice or liability. Sonitrol and its Approved Vendor shall not be liable to Franchisee for any loss by Franchisee of fees or other payments Franchisee charges Subscribers for use of the Web Site.

6. The Web Site is protected by copyright as a collective work and/or compilation (the "Content"), pursuant to U.S. copyright laws, international conventions, and other copyright laws. All materials contained on the Web Site are protected by copyright, and are owned, controlled and/or licensed by Sonitrol or the party credited as the provider of the Content. Franchisee will abide by any and all additional copyright notices, information, or restrictions contained in any Content on the Web Site. Franchisee may download and make copies of the Content and other downloadable items displayed on the Web Site for its business records, provided that Franchisee maintains all copyright and other notices contained in such content. Copying or storing of any Content for any other purpose is expressly prohibited without prior written permission from Sonitrol or the copyright holder identified in the Content copyright notice.

7. Franchisee represents, warrants and covenants that it shall not upload, post or transmit to or distribute or otherwise publish through the Web Site any materials which (i) restrict or inhibit any other user from using and enjoying the Web Site, (ii) are unlawful, threatening, abusive, libelous, defamatory, obscene, vulgar, offensive, pornographic, profane, sexually explicit or indecent, (iii) constitute or encourage conduct that would constitute a criminal offense, give rise to civil liability or otherwise violate law, (iv) violate, plagiarize or infringe the rights of third parties including, without limitation, copyright, trademark, patent, rights of privacy or publicity or any other proprietary right, (v) contain a virus or other harmful component, (vi) contain any information, software or other material of a commercial nature, (vii) contain advertising of any kind, or (viii) constitute or contain false or misleading indications of origin or statements of fact. Moreover, Franchisee warrants and covenants that it will not use the Web Site to access information regarding other Sonitrol franchisees, or subscribers of other Sonitrol franchisees.

8. The Web Site may contain links and pointers to other related Internet sites, resources, and sponsors of the Web Site. Links to and from the Web Site to other third party sites, maintained by third parties, do not constitute an endorsement by Sonitrol or any of its subsidiaries, affiliates or its Approved Vendor, or of any third party resources, or their contents.

9. Franchisee hereby agrees to indemnify, defend and hold Sonitrol and its Approved Vendor, and all its officers, directors, owners, agents, employees, information providers, affiliates, franchisees, licensors and licensees (collectively, the "Indemnified Parties") harmless from and against any and all liability and costs, including reasonable attorney's fees, arising out of or related to claims or actions brought by third parties against Sonitrol or its Approved Vendor for Franchisee's breach of this Agreement, or as a result of the Franchisee's Subscriber's use of or reliance upon the information displayed or distributed over the Web Site.

10. Sonitrol or its Approved Vendor does not and cannot review all materials posted to the Web Site by users, and are not responsible for any such materials posted by users. However, Sonitrol reserves the right at all times to disclose any information as necessary to satisfy any law, regulation or government request, or to edit, refuse to post or to remove any information or materials, in whole or in part, that in Sonitrol's sole discretion are objectionable or in violation of this Agreement.

11. THE WEB SITE, INCLUDING ALL CONTENT, SOFTWARE, FUNCTIONS, MATERIALS AND INFORMATION MADE AVAILABLE ON OR ACCESSED THROUGH THE WEB SITE, IS PROVIDED "AS IS", AND SONITROL, ON BEHALF OF ITSELF AND ITS THIRD PARTY APPROVED VENDOR MAKES NO WARRANTY AS TO ITS USE, ACCURACY OR COMPLETENESS TO THE EXTENT PERMISSIBLE BY APPLICABLE LAW, SONITROL AND ITS SUBSIDIARIES AND AFFILIATES DISCLAIM ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. SONITROL AND ITS APPROVED VENDOR DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE WEB SITE OR ANY MATERIALS OR CONTENT CONTAINED THEREIN WILL BE UNINTERRUPTED OR ERROR FREE, THAT DEFECTS WILL BE CORRECTED, OR THAT THE WEB SITE OR THE SERVER THAT MAKES IT AVAILABLE IS FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS.

12. SONITROL AND ITS APPROVED VENDOR SHALL NOT BE LIABLE TO FRANCHISEE OR ANY SUBSCRIBER FOR ANY DAMAGES OR INJURY, INCLUDING COMPENSATORY, SPECIAL, CONSEQUENTIAL OR LOST PROFITS, CAUSED BY THE INACCURACY OF THE INFORMATION ON THE WEB SITE OR ANY FAILURE IN PERFORMANCE OF THE WEB SITE, OR ANY INTERRUPTION, DEFECT, DELAY IN OPERATION OR TRANSMISSION, THE LOSS OF DATA, ALTERED DATA, INABILITY TO ACCESS THE WEB SITE, COMPUTER VIRUS OR LINE FAILURE.

13. Franchisee's authorized employees ("Administrators") shall be assigned a unique USER ID and password. Franchisee shall prohibit its Administrators from transferring or sharing the assigned USER ID and password and institute procedures to protect against any unauthorized use of the USER ID and password by its Administrators. Any transfer, sharing or unauthorized use of the USER ID and password by the Administrator shall result in the immediate termination of the Administrator's right to access the Web Site. Franchisee agrees to immediately notify Sonitrol of any known or suspected unauthorized use of a USER ID and password, and shall also notify Sonitrol when an Administrator's authority to access the Web Site has been terminated by Franchisee, including upon termination of the Administrator's employment.

14. Franchisee acknowledges that it has reviewed the privacy policy posted on the Web Site and agrees to the terms and conditions thereof, as if they incorporated herein by reference. Franchisee agrees that it will not use or attempt to use the Web Site to access information regarding other Sonitrol franchisees, or subscribers of other Sonitrol franchisees, and shall not otherwise use the Web Site in a manner which is contrary to such privacy policy. Sonitrol reserves the right to make changes to such privacy policy, which changes will be posted on the Web Site.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law's provisions. Sole and exclusive jurisdiction for any action or proceeding arising out of or related to this Agreement shall be in,

and Franchisee consents to jurisdiction and venue in, the United States District Court for Delaware.

16. This Agreement constitutes the entire agreement between Sonitrol and Franchisee with respect to Franchisee's use of the Web Site. If for any reason a court of competent jurisdiction finds any provision of the Agreement, or portion thereof, to be unenforceable, the remainder of this Agreement shall continue in full force and effect.

17. In the event of a default by Franchisee under this Agreement, or upon termination or expiration of the Franchise Agreement between Sonitrol and Franchisee, Sonitrol reserves the right to immediately and without further notice terminate this Agreement and deactivate USER ID's and passwords assigned to Administrators and to each of the Subscribers. Further, a default of this Agreement shall be considered to be a default of the Franchise Agreement between Sonitrol and Franchisee, entitling Sonitrol to the remedies for a default available there under.

18. Franchisee hereby agrees to the amounts set forth on Exhibit A that will be paid for Web site usage.

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.

_____ By: _____
Date

SONITROL FRANCHISEE

_____
(Print Name of Franchisee)

_____ By: _____
Date

EXHIBIT A

Fees:

Fees shall be invoiced to Franchisee on a monthly basis (in arrears) and shall be due and payable as set forth in Sonitrol's then current Credit Policy and Procedures. Fees shall be calculated on the total number of Subscriber Facilities associated with the Franchisee. "Subscriber Facility" shall mean that unique physical address recognized for each Subscriber of Franchisee connected to mySonitrol.net as of December 1st of each calendar year. The fee schedule set forth below shall be firm through Dec 2017 (the "Initial Period"); thereafter, except as otherwise stated in the Franchise Agreement, Sonitrol may adjust pricing, which may include minimum and maximum fees, on an annual basis.

Fee Schedule:

> $200 per month for Franchisee with 500 Subscriber Facilities or less;
> plus, $40 per month for each 100 block count of Subscriber Facilities over 500;
> provided, however, the maximum fee to be charged per Franchisee Control Group (as defined in the Franchise Agreement) shall be $1,200 per month.

The calculated monthly fee for your Franchise for the Initial Period is: $ _____

Above figure is calculated as follows:	
1-500 Subscriber Facilities:	$200.00
Franchisees with over 500 Subscriber Facilities	
Number of Subscriber Facilities connected to mySonitrol.net (rounded to the nearest 100)/100x$40):	$
Franchise Control Group (Yes or No). If YES, max fee $1,200	$1,200.00

EXHIBIT I

AGREEMENTS NOT TO DISCLOSE

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT
(Officer, Director, Member, Manager, Partner and/or Shareholder)

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT
(Employee)

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT

(OFFICER, DIRECTOR, MEMBER, MANAGER, PARTNER AND/OR SHAREHOLDER)

This Confidentiality, Non-Solicitation and Non-Competition Agreement (this "**Agreement**") is made and entered into this _____ day of _____, 20__, by and among Stanley Convergent Security Solutions, Inc., a Delaware corporation, having its principal business offices located at 8350 Sunlight Drive, Fishers, Indiana 46037 (hereinafter, "**Sonitrol**"), _____ (hereinafter, "**Individual**"), a(n) _____ (indicate: officer, director, member, manager, partner and/or shareholder) of _____, a(n) independently-owned _____ (Indicate: state and business entity type) with its principal place of business located at _____ (hereinafter, "**Franchisee**"), and Franchisee.

WHEREAS, Sonitrol and Franchisee have entered into that certain Sonitrol Franchise Agreement dated _____ and incorporated herein by this reference thereto (the "**Franchise Agreement**"); and

WHEREAS, Individual, in the course of performance of his or her responsibilities to Franchisee, or as a result of his or her business or official relationship with or for Franchisee, will be provided the confidential and proprietary information of Sonitrol relating to the Sonitrol security products and services program, including, but not limited to, information concerning the promotion, sale and delivery of products and services offered or provided by Sonitrol franchisees, the components and construction, technology, marketing, software, security programs and procedures, and repairing, monitoring and servicing methods and procedures (collectively, the "**Sonitrol System**"); and

WHEREAS, Individual and Franchisee acknowledge the need for confidentiality of the confidential and proprietary information and the Sonitrol System and agree that full compliance with the terms of this Agreement is necessary to protect such confidentiality;

WHEREAS, Individual and Franchisee also acknowledge the need for Individual to agree to: (i) not use Franchisee's customer information for the benefit of any party other than Franchisee; and (ii) not to engage in any business in competition either with Franchisee or Sonitrol; and (iii) not divert any Subscriber Account, Subscriber, customer of Franchisee or Sonitrol, or any Sonitrol Business to any competing business of Franchisee or Sonitrol, except as permitted pursuant to the terms and provisions in the Franchise Agreement.

Whereas, Individual will receive benefits by virtue of the grant of the franchise by Sonitrol to Franchisee.

NOW THEREFORE, in consideration of the covenants herein contained, it is agreed:

1. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Franchise Agreement.

2. Confidential and Proprietary Information. Individual shall not, during the term of this Agreement or thereafter, (a) use, except in the Sonitrol business licensed under the Franchise Agreement; or (b) communicate, divulge, or use for the benefit of any other person, any Confidential Information (as defined below), knowledge, or know-how concerning the Sonitrol System or the methods of operation thereunder which may be communicated to Individual, or of which Individual may be apprised, by virtue of Individual's position in Franchisee's business operations or relationship with Franchisee.

"**Confidential Information**" means (i) the Sonitrol Franchise Standards Manual, Graphic Standards Manual, National Account Guide, and other manuals, bulletins, policies or procedures Sonitrol may publish from time to time; and (ii) current, future and proposed products which may be offered for

purchase by Franchisee's customers and/or installed by Franchisee, (iii) training regarding the Sonitrol System; (iv) cost and pricing information regarding Sonitrol Products and Services, including Proprietary Products; and (iv) processes, services, policies, procedures, records and identity of Subscriber Accounts of Sonitrol; and (v) plans, technologies, software, installation and operating techniques relating to Sonitrol Products and Services including Proprietary Products; and (vi) plans and information relating to the marketing and sale of Sonitrol Products and Services including Proprietary Products; and (vii) information provided to Franchisee by Sonitrol, its affiliates, manufacturers and suppliers of Proprietary Products related to the Sonitrol System or Sonitrol Products and Services; and all financial, technical, operational, management and other information which Sonitrol designates as confidential when it is disclosed to Franchisee in connection with the Franchise Agreement, or which Individual knew or should have known to be confidential to Sonitrol from the nature of the information or the circumstances of its disclosure.

Notwithstanding anything contained herein, Confidential Information shall not include any information:

(a) which, at the date of disclosure to any party, is in the public domain (except for such information in the public domain as a result of a violation of a duty to maintain the confidentiality of such information) or which, after such disclosure, comes within the public domain through no fault of the party to which it is disclosed;

(b) which was known to the party to which it was disclosed hereunder prior to such disclosure (except information known to such party as a result of a violation of a duty to maintain the confidentiality of such information);

(c) the disclosure of which is required by law or by any competent regulatory authority; or

(d) which at any time comes independently and lawfully into the possession of the recipient, either from its own resources or from any third party with the right to disclose such information.

3. **Individual Work Product**. Individual hereby grants to Sonitrol a nonexclusive royalty-free license to use in its, and its affiliates, businesses and to sublicense the right to use in its franchisees' Sonitrol businesses any and all inventions, enhancements, processes, methods, designs and other creations (hereinafter, "**Developments**") that, during the term of this Agreement, Individual may develop, invent, discover, conceive or originate, alone or in conjunction with any other person, which Developments relate in any way to Individual's involvement in the operation of Franchisee's Sonitrol business.

4. **Remedies for Breach of Agreement**. In the event of the breach or threatened breach of this Agreement by Individual, each of Franchisee and Sonitrol shall be entitled to injunctions, both preliminary and final, enjoining and restraining such breach or threatened breach and to recover for the benefit of Sonitrol, by means of an accounting, any profits Individual may obtain in violation of this Agreement. Such remedies shall be in addition to all of the remedies available at law or in equity. Each of Franchisee and Sonitrol shall also be entitled to recover its attorneys' fees and expenses in any successful action to enforce this Agreement.

5. **Non-Solicitation, Non-Competition and Diversion of Business.**

(a) **Non Solicitation**: Individual acknowledges that Sonitrol has a proprietary interest in the goodwill established by Individual's contacts with Franchisee's clients and accounts. Therefore, Individual specifically agrees that, during the period of his or her relationship with Franchisee and for a period of twelve (12) months following the termination of such relationship with Franchisee for any reason, Individual shall not directly or indirectly, on behalf of himself or herself or any Competitive business solicit any of Franchisee's clients for whom Individual performed services while an officer, director, member, manager, partner and/or shareholder of Franchisee or which Individual solicited on behalf of Franchisee,

except as may be expressly permitted under the Franchise Agreement with respect to Franchisee's operation of certain other security businesses, and then only to such extent expressly permitted by the Franchise Agreement for Franchisee.

(b) Non-Competition. Individual agrees that, during the period of his or her relationship with Franchisee, Individual shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is either directly or indirectly a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees and/or the Sonitrol System.

Individual also agrees that, except as expressly provided in the Franchise Agreement, for a period of two (2) years after the earlier of the (i) the termination of Individual's relationship with Franchisee, for any reason, or (ii) the termination or expiration of the Franchise Agreement, Individual shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is either directly or indirectly a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees and/or the Sonitrol System within Franchisee's territory and any area within one hundred (100) miles of the outside boundaries of Franchisee's territory.

(c) Diversion of Business. Except as permitted pursuant to the terms and provisions of the Franchise Agreement, Individual agrees that during the term of his or her relationship with Franchisee, Individual shall not, by direct or indirect inducement or otherwise, divert or attempt to divert any business of any Subscriber Account, Subscriber or any customer of Franchisee, Sonitrol or its successors and assigns, or any other Sonitrol franchisee to any business that is a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees, and/or the Sonitrol System.

(d) Reasonableness. Individual acknowledges that the restricted period of time and limitations specified herein are reasonable in view of the nature of the business in which Franchisee and Sonitrol are engaged and Individual's knowledge of Franchisee's and Sonitrol's operations. If the scope of any stated restriction is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law.

6. Injunctive Relief. Individual understands and agrees that the damages which Franchisee or Sonitrol may suffer from Individual's violation of any of Individual's obligations pursuant to this Agreement would be difficult or impossible to measure and that either Franchisee or Sonitrol, or both, is entitled to injunctive relief for any violation, plus damages in an amount equal to the profits of Individual gained by or from such violation.

7. Binding Effect. This Agreement shall be binding upon the parties hereto and upon their respective executors, administrators, legal representatives, successors and assigns.

8. Applicable Law. This Agreement shall be governed by and construed under the internal laws of the State of Delaware, without application of its conflicts of laws provisions. If any provision of this Agreement is declared void, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and no modifications or revisions hereof shall have any force and effect, unless the same are in writing and executed by the parties hereto.

10. Notices. Any notices required or permitted to be given under this Agreement shall be in writing, and sent by certified mail to the last known residential address in the case of Individual, or to its principal office in the case of Franchisee or Sonitrol.

11. Construction of Agreement. The parties hereby confirm and agree that this Agreement is the result of negotiation and compromise, and that in interpreting this Agreement neither party shall be considered to be the drafter hereof, and that the language should not be strictly construed against either party, but rather this Agreement shall be interpreted consistent with the ordinary and reasonable meaning of the words used herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SONITROL:

Stanley Convergent Security Solutions, Inc.

By: _____

Name Printed: _____

Title: _____

Date: _____

INDIVIDUAL:

_____

_____, Individually
(Please Print Name)

FRANCHISEE:

_____

By: _____

Name Printed: _____

Title: _____

Date: _____

CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

(EMPLOYEE)

This Confidentiality, Non-Competition and Non-Solicitation Agreement (Employee) (this "**Agreement**") is made and entered into this _____ day of _____, 20 ___, by and between _____, a(n) _____ (Indicate: state and type of business entity) with its principal place of business located at _____ (hereinafter, "**Franchisee**"), and _____, a resident of the State of _____, having an address of _____ (hereinafter, "**Employee**").

Whereas, Franchisee and Stanley Convergent Security Solutions, Inc., a Delaware corporation (hereinafter "**Sonitrol**"), have entered into that certain Sonitrol Franchise Agreement dated _____ (the "**Franchise Agreement**"); and

Whereas, Employee, in the course of performance of his or her responsibilities to Franchisee will be provided the confidential and proprietary information of Sonitrol relating to the Sonitrol security products and services program, including, but not limited to, information concerning the promotion, sale and delivery of products and services offered or provided by Sonitrol franchisees, the components and construction, technology, marketing, software, security programs and procedures, and repairing, monitoring and servicing methods and procedures (collectively, the "**Sonitrol System**"); and

Whereas, Employee and Franchisee acknowledge the need for confidentiality of the confidential and proprietary information and the Sonitrol System and agree that full compliance with the terms of this Agreement is necessary to protect such confidentiality.

WHEREAS, Employee also acknowledges the need for Employee to agree to: (i) not use Franchisee's customer information for the benefit of any party other than Franchisee; and (ii) not to engage in any business in competition either with Franchisee or Sonitrol; and (iii) not divert any Subscriber Account, Subscriber, customer of Franchisee or Sonitrol, or any Sonitrol Business to any competing business of Franchisee or Sonitrol, except as permitted pursuant to the terms and provisions in the Franchise Agreement.

Now therefore, in consideration of Employee's employment by Franchisee, this Agreement being a condition thereof and ancillary thereto and not purporting to set out the terms of such employment, it is agreed:

1. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Franchise Agreement.

2. Confidential and Proprietary Information. Employee shall not, during the term of Employee's employment with Franchisee or thereafter, (a) use, except in Employee's service to Franchisee in connection with the Sonitrol business licensed under the Franchise Agreement; or (b) communicate, divulge, or use for the benefit of any other person, any Confidential Information (as defined below), knowledge, or know-how concerning the Sonitrol System or the methods of operation thereunder which may be communicated to Employee, or of which Employee may be apprised, by virtue of Employee's employment in Franchisee's business operations.

"**Confidential Information**" means (i) the Sonitrol Franchise Standards Manual, Graphic Standards Manual, National Account Guide, and other manuals, bulletins, policies or procedures Sonitrol may publish from time to time; and (ii) current, future and proposed products which may be offered for purchase by Franchisee's customers and/or installed by Franchisee, (iii) training regarding the Sonitrol System; (iv) cost and pricing information regarding Sonitrol Products and Services, including Proprietary Products; and (iv) processes, services, policies, procedures, records and identity of Subscriber Accounts of Sonitrol; and (v) plans, technologies, software, installation and operating techniques relating to Sonitrol

Products and Services, including Proprietary Products; and (vi) plans and information relating to the marketing and sale of Sonitrol Products and Services, including Proprietary Products; and (vii) information provided to Franchisee by Sonitrol, its affiliates, manufacturers and suppliers of Proprietary Products related to the Sonitrol System or Sonitrol Products and Services; and all financial, technical, operational, management and other information which Sonitrol or Franchisee designates as confidential when it is disclosed to Employee in connection with the Franchise Agreement, or which Employee knew or should have known to be confidential to Sonitrol or Franchisee from the nature of the information or the circumstances of its disclosure.

Notwithstanding anything contained herein, Confidential Information shall not include any information:

(a) which, at the date of disclosure to any party, is in the public domain (except for such information in the public domain as a result of a violation of a duty to maintain the confidentiality of such information) or which, after such disclosure, comes within the public domain through no fault of the party to which it is disclosed;

(b) which was known to the party to which it was disclosed hereunder prior to such disclosure (except information known to such party as a result of a violation of a duty to maintain the confidentiality of such information);

(c) the disclosure of which is required by law or by any competent regulatory authority; or

(d) which at any time comes independently and lawfully into the possession of the recipient, either from its own resources or from any third party with the right to disclose such information.

3. Employee Work Product. Employee hereby grants to Sonitrol a nonexclusive royalty-free license to use in its, and its affiliates, businesses and to sublicense the right to use in its franchisees' Sonitrol businesses any and all inventions, enhancements, processes, methods, designs and other creations (hereinafter, "Developments") that, during the term of this Agreement, Employee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person, which Developments relate in any way to Employee's involvement in the operation of Franchisee's Sonitrol business.

4. Remedies for Breach of Agreement. In the event of the breach or threatened breach of this Agreement by Employee, each of Franchisee and Sonitrol shall be entitled to injunctions, both preliminary and final, enjoining and restraining such breach or threatened breach and to recover for the benefit of Sonitrol, by means of an accounting, any profits Employee may obtain in violation of this Agreement. Such remedies shall be in addition to all of the remedies available at law or in equity. Each of Franchisee and Sonitrol shall also be entitled to recover its attorneys' fees and expenses in any successful action to enforce this Agreement.

5. Non Solicitation, Non Competition and Diversion of Business.

(a) Non Solicitation: Employee acknowledges that Sonitrol has a proprietary interest in the goodwill established by Employee's contacts with Franchisee's clients and accounts. Therefore, Employee specifically agrees that, during the period of his or her employment with Franchisee and for a period of twelve (12) months following the termination of such employment with Franchisee for any reason, Employee shall not directly or indirectly, on behalf of himself or herself or any Competitive business solicit any of Franchisee's clients for whom Employee performed services while an employee of Franchisee or which Employee solicited on behalf of Franchisee, except as may be expressly permitted under the Franchise Agreement with respect to Franchisee's operation of certain other security businesses, and then only to such extent expressly permitted by the Franchise Agreement for Franchisee.

(b) Non-Competition. Employee agrees that, during the period of his or her employment with Franchisee, Employee shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is either directly or indirectly a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees and/or the Sonitrol System.

Employee also agrees that, except as expressly provided in the Franchise Agreement, for a period of two (2) years after the earlier of the (i) the termination of Employee's employment with Franchisee, for any reason, or (ii) the termination or expiration of the Franchise Agreement, Employee shall not directly or indirectly own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business or engage in any business which is either directly or indirectly a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees and/or the Sonitrol System within Franchisee's territory and any area within one hundred (100) miles of the outside boundaries of Franchisee's territory.

(c) Diversion of Business. Except as permitted pursuant to the terms and provisions of the Franchise Agreement, Employee agrees that during the term of his or her employment with Franchisee, Employee shall not, by direct or indirect inducement or otherwise, divert or attempt to divert any business of any Subscriber Account, Subscriber or any customer of Franchisee, Sonitrol or its successors and assigns, or any other Sonitrol franchisee to any business that is a Competitive business of Sonitrol, Franchisee, other Sonitrol franchisees, and/or the Sonitrol System.

(d) Reasonableness. Employee acknowledges that the restricted period of time and limitations specified herein are reasonable in view of the nature of the business in which Franchisee and Sonitrol are engaged and Employee's knowledge of Franchisee's and Sonitrol's operations. If the scope of any stated restriction is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law. Employee hereby agrees that this Agreement is supported by adequate consideration.

6. Injunctive Relief. Employee understands and agrees that the damages which Franchisee or Sonitrol may suffer from Employee's violation of any of Employee's obligations pursuant to this Agreement would be difficult or impossible to measure and that either Franchisee or Sonitrol, or both, is entitled to injunctive relief for any violation, plus damages in an amount equal to the profits of Employee gained by or from such violation.

7. Binding Effect. This Agreement shall be binding upon the parties hereto and upon their respective executors, administrators, legal representatives, successors and assigns.

8. Applicable Law. This Agreement shall be governed by and construed under the internal laws of the State of Delaware, without application of its conflicts of laws provisions. If any provision of this Agreement is declared void, such provision shall be deemed severed from this Agreement, which shall otherwise remain in full force and effect.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and no modifications or revisions hereof shall have any force and effect, unless the same are in writing and executed by the parties hereto.

10. Notices. Any notices required or permitted to be given under this Agreement shall be in writing, and sent by certified mail to the last known residential address in the case of Employee, or to its principal office in the case of Franchisee or Sonitrol.

11. Construction of Agreement. The parties hereby confirm and agree that this Agreement is the result of negotiation and compromise, and that in interpreting this Agreement neither party shall be considered to be the drafter hereof, and that the language should not be strictly construed against either

party, but rather this Agreement shall be interpreted consistent with the ordinary and reasonable meaning of the words used herein.

12. **Third Party Beneficiary. Franchisee and Employee agree that Sonitrol has a substantial economic interest in this Agreement and that this Agreement is intended to benefit Sonitrol as a third party beneficiary.**

13. Right To Enforce. Upon legal action taken by Franchisee against Employee relating to violations or anticipated violations of this Agreement, Sonitrol may, but shall not be obligated to, cooperate with Franchisee in the prosecution of Franchisee's claim or, at Sonitrol's election, assume the prosecution of the claim entirely. If Sonitrol determines, in its sole discretion, that Franchisee is not enforcing this Agreement, Sonitrol may require Franchisee to take prompt action against Employee or may, in its own name, enforce, by injunction or other remedy, the terms of this Agreement against Employee.

In Witness Whereof, the parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYEE:

_____

_____, Individually
(Please Print Name)

Date: _____

FRANCHISEE: _____

By: _____

Name Printed: _____

Title: _____

Date: _____

EXHIBIT J

LIST OF SONITROL FRANCHISEES (as of May 4, 2022)

Following is a list of Sonitrol franchisees who were in operation at any time during Stanley Black & Decker, Inc.'s most recent fiscal year and were still in operation as of the issuance date of this disclosure document.

Arkansas:

Little Rock/Central Arkansas
Central Arkansas Sonitrol
3773 Corporate Center Drive
Earth City, MO 63045
Phone: 501-663-9090
Fax: 501-663-5121
Mr. Michael Shaw, Dealer

California:

Bakersfield
Sonitrol of Bakersfield
5251 Office Park Drive #150
Bakersfield, CA 93309
Phone: 661-322-4337
Fax: 661-322-4485
Ms. Joey Rao-Russell, President

Berkley
Sonitrol of Berkley
3090 Teagarden Street
San Leandro, CA 94577
Phone: 510-638-7173
Fax: 510-881-8192
Ms. Joey Rao-Russell, President

Big Bear Lake
Smart Security, LLC
dba Sonitrol of San Bernardino Mountains
41937 Big Bear Blvd
Big Bear Lake, CA 92315
Phone: 844-856-6050
Fax: 844-856-6049
Mr. Tracy Jones, Dealer/President

Concord
Sonitrol Security, Inc.[1]
1300 Galaxy Way, Suite 6
Concord, CA 94520
Phone: 925-687-1055
Fax: 925-687-1127
Mr. George Nicolino, Distributor

Contra Costa County
Sonitrol of Contra Costa County
837 Arnold Drive, Suite 101
Martinez, CA 94533
Phone: 925-689-8360
Fax: 925-296-0444
Ms. Joey Rao-Russell, President

Fresno
Sonitrol of Fresno
4220 Figarden Drive
Fresno, CA 93722
Phone: 559-264-5924
Fax: 559-233-7739
Ms. Joey Rao-Russell, President

Gold Coast/(Irvine/Orange/Lake Forest)
Sonitrol of Orange County
23 Mauchly # 100
Irvine, CA 92618
Phone: 949-297-4351
Fax: 949-297-4390
Mr. Ronald Files, President/CEO

Marin and Sonoma Counties
Sonitrol of Marin & Sonoma Counties
150 Executive Park Blvd., Suite 2600
San Francisco, CA 94103
Phone: 415-552-9700
Fax: 415-552-9538
Ms. Joey Rao-Russell, President

Modesto
Sonitrol of Modesto
250 Cherry Lane
Modesto, CA 95337
Phone: 209-527-8100
Fax: 209-466-3828
Ms. Joey Rao-Russell, President

[1] Sonitrol Security, Inc. operates as a Sonitrol franchise distributor and not a Sonitrol franchisee.

Napa/Solano
Sonitrol of Napa & Solano Counties
837 Arnold Drive, Suite 100
Martinez, CA 94553
Phone: 925-689-8360
Fax: 925-296-0444
Ms. Joey Rao-Russell, President

Northwest Los Angeles/Ventura County
Sonitrol of NW Los Angeles/Ventura County
9520 Topanga Canyon
Chatsworth, CA 91311
Phone: 888-766-6876
Fax: 661-322-4485
Ms. Joey Rao-Russell, President

Oakland
Sonitrol of Oakland
3090 Teagarden Street
San Leandro, CA 94577
Phone: 510-638-7173
Fax: 510-881-8192
Ms. Joey Rao-Russell, President

Sacramento
Sonitrol of Sacramento
1334 Blue Oaks Blvd.
Roseville, CA 95678
Phone: 916-338-6700
Fax: 916-332-2321
Mr. Ronald Files, President/CEO

San Francisco
Sonitrol of San Francisco
150 Executive Park Blvd., Suite 2600
San Francisco, CA 94103
Phone: 415-552-9700
Fax: 415-552-9538
Ms. Joey Rao-Russell, President

San Leandro/Southern Alameda and Hayward Counties
Sonitrol of Southern Alameda County
3090 Teagarden Street
San Leandro, CA 94577
Phone: 510-638-7173
Fax: 925-296-0444
Ms. Joey Rao-Russell, President

Santa Clara and San Jose
Sonitrol of San Mateo & Santa Clara Counties
1587 Schallenberger Road
San Jose, CA 95131
Phone: 408-998-2002
Fax: 408-293-0252
Mr. Paul W. Shumate, President/CEO

Stockton
Sonitrol of Stockton
250 Cherry Lane
Modesto, CA 95337
Phone: 209-527-8100
Fax: 209-466-3828
Ms. Joey Rao-Russell, President

Connecticut:

Bridgeport
Sonitrol Security Systems of Bridgeport
685 Honeyspot Road
Stratford, CT 06615
Phone: 203-335-8111
Fax: 203-366-1602
Mr. Jeff Hickey, Dealer

Hartford
Sonitrol New England – Hartford
65 Inwood Road
Rocky Hill, CT 06067
Phone: 860-247-4500
Fax: 860-616-7583
Mr. Douglas M. Curtiss, President

Delaware:

Delaware Valley
Sonitrol of the Delaware Valley
802 First State Boulevard
Wilmington, DE 19804
Phone: 302-652-3060
Fax: 302-652-3062
Mrs. Judy Ottosen, Dealer
Mr. Joe Allen, Dealer/GM

Florida:

Bay County
Sonitrol of Bay County
1136 Thomasville Road
Tallahassee, FL 32303
Phone: 850-769-0010
Fax: 850-769-4555
Mr. Doug Smith, Dealer

East Coast Florida
Sonitrol of East Coast Florida
1136 Thomasville Road
Tallahassee, FL 32303
Phone: 321-504-6069
Fax: 321-504-6382
Mr. Doug Smith, Dealer

Ft. Lauderdale
Sonitrol of Fort Lauderdale
1770 NW 64th Street, Suite 630
Ft. Lauderdale, FL 33309
Phone: 954-772-9700
Fax: 954-772-7466
Mr. John Ray III, President

Lakeland
Sonitrol of Polk County
1820 Florida Ave S Suite 2
Lakeland, FL 33803
Phone: 800-444-1191
Mr. Sam Standring

North Central Florida (Ocala/Gainesville)
Sonitrol of North Central Florida
2500 NW 10th Street, Unit 103
Ocala, FL 34475
Phone: 352-369-6300
Fax: 352-369-2003
Mr. Walter Conrad, Dealer

Northeast Florida
Sonitrol of Northeast Florida
9700 Phillips Highway, Suite 108
Jacksonville, FL 32256
Phone: 904-900-1640
Mr. Bryan Bates, Dealer

Northwest Florida
Sonitrol of Northwest Florida
201 N Pace Blvd
Pensacola, FL 32505
Phone: 850-432-5090
Fax: 850-432-4101
Mr. Doug Smith, Dealer

Sarasota
Sonitrol of Sarasota
6710 Professional Parkway, # 323
Sarasota, FL 34240
Phone: 941-342-9966
Fax: 941-343-0097
Mr. Doug Smith, Dealer

Tallahassee
Sonitrol of Tallahassee, Inc.
1136 Thomasville Road
Tallahassee, FL 32303
Phone: 850-205-5000
Fax: 850-224-1843
Mr. Doug Smith, Dealer

Georgia:

Macon (Middle Georgia)
Sonitrol of Middle Georgia
308 Indian Creek Circle
Adel, GA 31620
Phone: 229-896-6190
Fax: 866-210-3044
Mr. Tim LeBlanc, Dealer

Hawaii:

Hawaii
Sonitrol of Hawaii
3375 Koapaka St. # F215
Honolulu, HI 96819
Phone: 808-847-5966
Fax: 808-842-1305
Mr. Tracy Jones, Dealer/President

Idaho:

Boise
Sonitrol Pacific – Boise[2]
3657 W. Wright Street
Boise, ID 83705
Phone: 208-426-9367
Fax: 208-426-9369
Mr. Beau Bradley, Dealer
Mr. Chris Morrow, GM

Illinois:

Chicagoland North
Sonitrol Great Lakes - Chicago
3215 Arnold Lane
Northbrook, IL 60062
Phone: 847-205-0670
Fax: 847-205-0677
Mr. Leo Wanstreet, Dealer
Mr. Mike Wanstreet, President

[2] The franchisee operating the Sonitrol Pacific - Boise franchise, along with Mr. Paul Shumate, also operates as a Sonitrol franchise distributor under the name “Sonitrol Rocky Mountain.”

Indiana:

Anderson
Sonitrol of Anderson
120 West 6th Street
Anderson, IN 46016-1199
Phone: 765-649-4236
Fax: 765-649-4237
Mr. Scott Payne, Dealer

Evansville
Sonitrol of Evansville, Inc.
208 NW 3rd Street
Evansville, IN 47708-1234
Phone: 812-422-1210
Fax: 812-467-7236
Mr. Samuel C. Standring, Dealer

Fort Wayne
Sonitrol of Fort Wayne
3409 East State Blvd.
Ft. Wayne, IN 46805
Phone: 260-422-1290
Fax: 260-422-7154
Mr. Jeff Stanford, Dealer

Muncie
Sonitrol Security Systems of Muncie, LLC
229 W. Ontario Drive
Muncie, IN 47303
Phone: 812-422-1210
Fax: 812-467-7236
Dr. Mark Standing, Dealer
Mr. Samuel C. Standring, GM/VP

South Bend/Mishawaka
Sonitrol of South Bend.
513 McKinley Avenue
Mishawaka, IN 46545
Phone: 574-334-7478
Fax: 574-387-5735
Mr. Chuck Hoffman, Dealer

Kentucky:

Lexington
Sonitrol of Lexington, Inc.
3166 Custer Drive
Lexington, KY 40517
Phone: 859-255-2525
Fax: 859-255-4020
Mr. Sonny Bates, Dealer
Mr. Jeremy Bates, GM

Western Kentucky/Louisville
Sonitrol of Western Kentucky
9630 Ormsby Station Road
Louisville, KY 40223
Phone: 502-966-8999
Fax: 502-966-5758
Mr. Ken Krapf, Dealer

Louisiana:

Lake Charles
Sonitrol of SW Louisiana
2200 East Prien Lake Road
Lake Charles, LA 70601
Phone: 337-439-2711
Fax: 337-478-1469
Mr. Michael Shaw, Dealer

New Orleans
Sonitrol of New Orleans, Inc.[3]
2217 Ridgelake Drive
Metairie, LA 70001
Phone: 504-837-7144
Fax: 504-835-0010
Mr. Bill Hattier, Dealer

Shreveport
Sonitrol of Shreveport
3007 Knight Street
Shreveport, LA 71105
Phone: 318-222-0855
Fax: 318-459-3856
Mr. Michael Shaw, Dealer

Massachusetts:

Springfield
Sonitrol New England – Western Massachusetts
65 Inwood Road
Rocky Hill, CT 06067
Phone: 413-781-7840
Fax: 860-616-7584
Mr. Douglas M. Curtiss, President

Michigan:

Detroit
Sonitrol Great Lakes – Detroit
7241 Fenton Road
Grand Blanc, MI 48439
Phone: 248-473-9400
Fax: 248-473-9480
Mr. Leo Wanstreet, Dealer
Mr. Mike Wanstreet, President

[3] The franchisee also operates as a Sonitrol franchise distributor.

Flint
Sonitrol Great Lakes – Flint
7241 Fenton Road
Grand Blanc, MI 48439
Phone: 248-473-9400
Fax: 248-473-9480
Mr. Leo Wanstreet, Dealer
Mr. Mike Wanstreet, President

Grand Rapids
Sonitrol Great Lakes – Grand Rapid
7241 Fenton Road
Grand Blanc, MI 48439
Phone: 248-473-9400
Fax: 248-473-9480
Mr. Leo Wanstreet, Dealer
Mr. Mike Wanstreet, President

Nevada:

Northern Nevada
Sonitrol of Northern Nevada
1325 Airmotive Way, Suite 210
Reno, NV 89502
Phone: 775-337-6800
Fax: 775-337-6822
Ms. Joyce Roberts-Dawson, Dealer
Mr. Adam Greer, VP of Sales

Southern Nevada
Sonitrol of Southern Nevada
3520 East Charleston Blvd.
Las Vegas, NV 89104
Phone: 702-384-7400
Fax: 702-384-2619
Ms. Joyce Roberts-Dawson, Dealer
Mr. Adam Greer, VP of Sales

New Jersey:

Trenton/Central New Jersey
Sonitrol of Central New Jersey
127 Route 206, Suite 23
Hamilton, NJ 08610
Phone: 609-890-0017
Fax: 609-890-4509
Mr. Karl Ottosen, Dealer
Mr. Kyle Chadwick, GM

New York:

Syracuse
Sonitrol Services of New York, Inc.
911 North Geddes Street
Syracuse, NY 13204
Phone: 315-422-4141
Fax: 315-422-5817
Mr. Cooper MacDonnell, Dealer

North Carolina:

Charlotte
Sonitrol Security Services, Inc.
815 Wood Ridge Center Drive
Charlotte, NC 28217
Phone: 704-423-1111
Fax: 704-423-3438
Mr. William Price, President/CEO
Mr. Wylie Fox, GM

Gastonia
Sonitrol Security Services, Inc.
815 Wood Ridge Center Drive
Charlotte, NC 28217
Phone: 704-423-1111
Fax: 704-423-3438
Mr. William Price, President/CEO
Mr. Wylie Fox, GM

Ohio:

Cincinnati
Sonitrol of Southwest Ohio
15 Pinnacle Point Drive
Miamisburg, OH 45342
Phone: 513-719-4000
Fax: 513-719-4050
Mr. Chip Shiver, Dealer

Dayton
Sonitrol of Southwest Ohio
15 Pinnacle Point Drive
Miamisburg, OH 45342
Phone: 937-228-7301
Fax: 937-228-2573
Mr. Chip Shiver, Dealer

Hamilton (Butler County)
Sonitrol of Butler County, Inc.
900 Ross Avenue
Hamilton, OH 45013
Phone: 513-868-2080
Fax: 513-868-2877
Mr. Chip Shiver, Dealer

Toledo
Sonitrol Great Lakes – Toledo
7241 Fenton Road
Grand Blanc, MI 48439
Phone: 248-473-9400
Fax: 248-473-9480
Mr. Leo Wanstreet, Dealer
Mr. Mike Wanstreet, President

Oregon:

Bend
Sonitrol of East Cascades
410 SW Columbia Street
Bend, OR 97702
Phone: 844-856-6050
Fax: 844-856-6049
Mr. Tracy Jones, Dealer/President

Portland
Sonitrol Pacific - Portland
8220 N. Interstate Avenue
Portland, OR 97217
Phone: 503-223-5822
Fax: 503-973-7773
Mr. Beau Bradley, Dealer
Mr. Jim Payne, President

Pennsylvania:

Pittsburgh
Sonitrol of Pittsburgh
610 Melwood Avenue
Pittsburgh, PA 15213
Phone: 412-681-6700
Fax: 412-681-6827
Mr. Judi Weiss, Dealer
Mr. Dan Wiegand, CFO

Rhode Island:

Providence
Sonitrol New England - Rhode Island
26 Hemingway Drive, Unit 4
Riverside, RI 02915
Phone: 401-272-8791
Fax: 401-272-5980
Mr. Douglas M. Curtiss, President
Mr. Joel Zimmerman, VP of Operations

South Carolina:

Charleston
Sonitrol Security Systems of Charleston, Inc.
4455 Tile Drive
North Charleston, SC 29405-8400
Phone: 843-747-0904
Fax: 843-566-8000
Mr. John C. Rama, Dealer/President
Mr. Alan S. Rama, Dealer/VP

Greenville
Sonitrol Security Services, Inc.
150 W. Phillips Road, Suite E
Greer, SC 29650
Phone: 864-284-9494
Fax: 864-879-9607
Mr. Bill Price, Dealer
Mr. Wylie Fox, GM

Spartanburg
Sonitrol Security Services, Inc.
150 W. Phillips Road, Suite E
Greer, SC 29650
Phone: 864-284-9494
Fax: 864-879-9607
Mr. William Price, President/CEO
Mr. Wylie Fox, GM

The Midlands/Columbia
Sonitrol Security Systems of the Midlands
1545 Burnette Drive
Columbia, SC 29210
Phone: 803-794-4357
Fax: 803-551-5514
Mr. Alan S. Rama, Dealer
Mr. John Rama, Dealer
Mr. Allan Derrick, GM

Tennessee:

Knoxville
Sonitrol Security Systems of Knoxville, LLC
529 North Gay Street
Knoxville, TN 37917
Phone: 865-637-3931
Fax: 865-637-3933
Mr. Matthew W. Harris, GM

Texas:

El Paso
Southwest Sonitrol
4042 Doniphan Drive
El Paso, TX 79922
Phone: 915-587-1000
Fax: 915-581-0689
Mr. Frank Stewart II, Dealer

Longview/East Texas
Sonitrol of East Texas
3773 Corporate Center Drive
Earth City, MO 63045
Phone: 903-757-5500
Fax: 903-758-1423
Mr. Michael Shaw, Dealer

Utah:

Salt Lake City
Sonitrol of Utah
4089-A West Nike Drive
West Jordan, UT 94089
Phone: 801-748-1034
Fax: 801-748-1043
Mr. Paul Shumate, Dealer
Mr. Dan Shumate, VP-Director

Virginia:

Richmond
Sonitrol of Greater Richmond, Inc.
2540 Gaskins Road
Richmond, VA 23058
Phone: 804-270-7900
Fax: 804-747-6450
Mr. William Kiley, Dealer

Washington:

Everett
Sonitrol Pacific – Everett
2221 California Avenue
Everett, WA 98201
Phone: 425-258-3655
Fax: 425-258-3658
Mr. Beau Bradley, Dealer
Mr. Jim Payne, President

Seattle
Sonitrol Pacific-Seattle
1406 140th Place NE, Suite 200
Bellevue, WA 98007
Phone: 425-641-8948
Fax: 425-641-8958
Mr. Beau Bradley, Dealer
Mr. Jim Payne, President

Tacoma
Sonitrol Pacific - Tacoma
5911 Orchard Street
Tacoma, WA 98467
Phone: 253-383-5051
Fax: 253-627-7672
Mr. Beau Bradley, Dealer
Mr. Jim Payne, President

EXHIBIT K
LIST OF SONITROL COMPANY-OWNED LOCATIONS (As of May 4, 2022)

Alabama:

Birmingham (120)
101 Airview Lane
Alabaster, AL 35007
888-834-7792 ext 71011
205-621-1011
888-852-4984 fax

Arizona:

Phoenix (731)
4666 S. Ash Avenue
Tempe, AZ 85282
480-420-5394
888-726-1483 fax

California:

Fremont (725)
47225 Fremont Blvd.
Fremont, CA 94538
510-252-5600
510-249-9202 fax

Petaluma
971 Transport Way, Unit K
Petaluma, CA 94954

Riverside (712)
21803 Cactus Ave., Suite A
Riverside, CA 92518
888-298-6025
888-298-6067 fax

Sacramento (756)
910 Riverside Pkwy, Suite 80
West Sacramento, CA 95605
916-376-9500
916-376-0725 fax

San Diego (736)
3949 Ruffin Road, Suite E
San Diego, CA 92123
858-431-5970
858-751-0392 fax

Santa Maria (137)
2122 Hutton Road
Nipomo, CA 93444
805-928-3896
805-928-2640 fax

Colorado:

Denver (738)
7399 S. Tucson Way, Suite A6
Centennial, CO 80112
303-584-5914
303-300-0130 fax

Connecticut:

Seymour (900)
30A Progress Avenue
Seymour, CT 06483
888-485-8206
203-888-0659 fax

Florida:

Jacksonville (769)
8301 Cypress Plaza Drive, Suite 121
Jacksonville, FL 32256
904-737-6706
904-292-2511 fax

Miramar
9786 Premier Parkway
Miramar, FL 33025
954-430-6400
954-704-8519 fax

Orlando (767)
4403 Vineland Road, Suite B10
Orlando, FL 32811
407-236-7413
407-245-7884 fax

Tampa Bay (711)
5610 West Sligh Avenue, Suite 104
Tampa, FL 33634
813-241-3500
813-241-3600 fax

Georgia:

Atlanta (719)
2300 West Park Place Blvd., Suite 160
Stone Mountain, GA 30087
770-689-2161
770-938-8778 fax

Illinois:

Chicago (713)
2150 Western Court, Suite 300
Lisle, IL 60532
630-724-3600
630-810-1522 fax

Indiana:

Indianapolis (734)
11899 Exit 5 Pkwy Suite 100
Fishers, IN 46037
Phone 317-776-3500
Fax 317-776-0457

Louisiana:

Baton Rouge (902)
9330 Pecue Lane
Baton Rouge, LA 70809
225-346-2828
888-223-0612 fax

New Orleans (726)
1520 Kuebel Street, Suite 4
Harahan, LA 70123
504-733-8700
844-504-6082 fax

Maryland:

Baltimore (743)
8701 Mylander Lane
Towson, MD 21286
410-780-2000
410-391-3270 fax

Massachusetts:

Boston (721)
30 Commerce Way
Woburn, MA 01801
781-305-5200
781-305-5300 fax

Michigan:

Detroit (747)
8030 Kensington Court
Brighton, MI 48116
248-669-4700
248-669-0231 fax

Minnesota:

Minneapolis (132)
13845 Industrial Park Blvd, Suite 13845
Plymouth, MN 55441
763-577-2500
763-559-2148 fax

Missouri:

Kansas City (744)
2640 NE Hagen Road
Lee's Summit, MO 64064
877-850-6375
877-850-6374 fax

St. Louis (741)
11905 Borman Drive
St. Louis, MO 63146
314-569-7900
314-993-0063 fax

Nevada:

Las Vegas (793)
6295 Pearl Street, Suite 100
Las Vegas, NV 89120
702-252-4200
702-474-9340 fax

Reno
4690 Longley Lane, Suite 23
Reno, NV 89502

New Mexico:

Albuquerque
2432 Menaul NE Blvd.
Albuquerque, NM 87107

New York:

Albany (125)
1772 Route 9, Unit B373
Clifton Park, NY 12065
716-668-1485
716-608-7030 fax

Buffalo
195 Elm Street
Buffalo, NY 14203-2098

Long Island (133)
10-09 49th Avenue
Long Island City, NY 11101
718-269-7400
718-937-0597 fax

Manhattan
230 Park Avenue, Suite 1545
New York, NY 10169

Rochester (125)
600 Elmgrove Crossing
Rochester, NY 14611
716-668-1485
716-608-7030 fax

Rochester
2024 West Henrietta Road, Bldg. 6A
Rochester, NY 14623-1395

North Carolina:

Charlotte (904)
9115 Old Statesville Road, Suite E
Charlotte, NC 28269
704-509-0844
704-506-0847 fax

Raleigh
901 Paverstone Drive
Raleigh, NC 27615
Phone: 919-848-3611

Ohio:

Cincinnati (758)
9466 Meridian Way
West Chester, OH 45069
513-589-3900
513-860-0852 fax

Cleveland (723)
6910 Treeline Drive, Unit J
Brecksville, OH 44141
216-635-4300
216-635-4320 fax

Columbus (735)
214 Hoff Road, Suites H & J
Westerville, Ohio 43082
614-895-6300
614-794-5005 fax

Oklahoma:

Oklahoma City (130)
9705 N. Broadway, Suite 100
Oklahoma City, OK 73114
405-841-5029
405-843-8508 fax

Tulsa (716)
10700 E. Independence Street
Tulsa, OK 74146
918-439-1380
918-439-1399 fax

Oregon:

Portland (724)
3810 SE Naef Road
Milwaukie, OR 97267
503-387-2914
877-285-3209 fax

Southern Oregon
120 Cleveland Street
Eugene, OR 97401

Medford (750)
345 Bartlett Street, Suite 103
Medford, OR 97501
541-245-8721
541-245-0608 fax

Pennsylvania:

Philadelphia (134)
2000 Cabot Blvd. West, Suite 100
Langhorne, PA 19047
215-710-9300
215-757-2266

Pittsburgh (720)
102 Merchant Lane
Pittsburgh, PA 15205
412-747-3013
412-788-1701 fax

South Dakota:

Rapid City (905)
1719 West Main Street
Suite 405
Rapid City, SD 57702
605-716-1609
605-343-6122 fax

Tennessee:

Chattanooga (903)
7917 Volunteer Drive
Suites 9 & 10
Chattanooga, TN 37416
423-892-4284
877-372-9045 fax

Memphis (770)
2075 Fletcher Creek Drive
Memphis, TN 38133
901-762-4200
901-765-7941 fax

Nashville (903)
1655 Murfreesboro Pike
Suite G
Nashville, TN 37217
877-421-0158
615-600-3441 fax

Texas:

Austin (751)
4616 West Howard Lane
Building. 1, Suite 110
Austin, TX 78758
512-813-6200
512-493-5234 fax

Dallas (131)
8300 Estes Blvd., #900
Irving, TX 75063

Houston (729)
6699 Portwest Drive #100
Houston, TX 77024
713-293-6800

San Antonio (751)
7340 Blanco Road, Suite 107
San Antonio, TX 78216
210-348-9620

Utah:

Salt Lake City (742)
704 W. Confluence Ave.
Murray, UT 84123
888-930-3873
888-930-3874 fax

Virginia:

Lorton
8211 Terminal Road, Suite 1300
Lorton, VA 22079

Richmond (739)
5350 H Lewis Road
Sandston, VA 23150
844-617-9572
866-881-3897 fax

Virginia Beach (739)
1533 Technology Drive, Suite 101
Chesapeake, VA 23320
757-549-3260
757-549-3269 fax

Washington:

Seattle (722)
2700 Richards Road, Suite 202
Bellevue, WA 98005
425-957-7000
425-746-0084 fax

Wisconsin:

Milwaukee (718)
W226 N665 Eastmound, Suite 115
Waukesha, WI 53186
262-521-3900
262-542-5410 fax

EXHIBIT L

LIST OF STATE ADMINISTRATORS

California

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(866) 275-2677
ask.dfpi@dfpi.ca.gov

Connecticut

Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Florida

Regulatory Consultant
Department of Agriculture and Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, FL 32314-6700
(850) 410-3800

Hawaii

Commissioner of Securities
Business Registration Division
Department of Commerce and Consumer Affairs
P.O. Box 40
Honolulu, HI 96810
(808) 586-2744

Illinois

State of Illinois Attorney General
Franchise Bureau
500 South Second Street
Springfield, IL 62701-1705
(217) 782-1090

Indiana

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

Iowa

Iowa Secretary of State
Business Services
First Floor, Lucas Building
321 East 12th Street
Des Moines, IA 50319
(515) 281-5204

Kentucky

State of Kentucky Attorney General
Office of Consumer Protection
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601
(502) 696-5389

Maryland

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

Michigan

Michigan Assistant Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, MI 48933
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1638

Nebraska

Nebraska Department of Banking and Finance
Bureau of Securities
1526 "K" Street, Suite 300
Lincoln, NE 68508-2732
(402) 471-3445

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Fl.
New York, NY 10005
(212) 416-8285

North Dakota

North Dakota Securities Department
Franchise Registration
600 East Boulevard Avenue
State Capital, 5th Floor
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Department of Consumer and Business Services
Division of Financial Regulation
350 Winter Street NE, Room 410
Salem, OR 97301-3883
(503) 378-4140

Rhode Island

Rhode Island Dept. of Business Regulation
Securities Division
1511 Pontiac Avenue, Building 68-2
Cranston, RI 02920
(401) 462-9500

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid, 2nd Floor
Pierre, SD 57501
(608) 773-3563

Texas

Secretary of State
Registrations Unit
James E. Rudder Office Building
1019 Brazos Street
Austin, TX 78701
(512) 475-0775

Utah

Director
State of Utah Department of Commerce
Division of Consumer Protection
160 East 300 South, 2nd Floor
P.O. Box 146704
Salt Lake City, UT 84114-6704
(801) 530-6601

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, VA 23219
(804) 371-9051

Washington:

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

Wisconsin

Franchise Registration
Division of Securities, Suite 300
Department of Financial Institutions
P.O. Box 1768
Madison, WI 53701-1768
(608) 266-0448

38949568

EXHIBIT M

LIST OF AGENTS FOR SERVICE OF PROCESS

Alabama:

Registered Agent Solutions, Inc.
2 North Jackson Street, Suite 605
Montgomery, AL 36104

Alaska:

Registered Agent Solutions, Inc.
1400 West Benson Blvd., Suite 370
Anchorage, AK 99503

Arizona:

Registered Agent Solutions, Inc.
300 W. Clarendon Ave., Suite 240
Phoenix, AZ 85013

Arkansas:

Registered Agent Solutions, Inc.
4250 N. Venetian Lane
Fayetteville, AR 72703

California:

Department of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, California 95834

Registered Agent Solutions, Inc.
1220 S Street, Suite 150
Sacramento, CA 95811

Colorado:

Registered Agent Solutions, Inc.
36 South 18th Avenue, Suite D
Brighton, CO 80601

Connecticut:

Registered Agent Solutions, Inc.
2138 Silas Deane Hwy., Suite 101
Rocky Hill, CT 06067

Delaware:

Registered Agent Solutions, Inc.
9 E. Loockerman Street, Suite 311
Dover, DE 19901

District of Columbia:

Registered Agent Solutions, Inc.
1100 H Street NW, Suite 840
Washington, DC 20005

Florida:

Registered Agent Solutions, Inc.
155 Office Plaza Dr., Suite A
Tallahassee, FL 32301

Georgia:

Registered Agent Solutions, Inc.
900 Old Roswell Lakes Pkwy., Suite 310
Roswell, GA 30076

Hawaii:

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
King Kalakaua Building
335 Merchant Street
Honolulu, Hawaii 96813

Registered Agent Solutions, Inc.
1188 Bishop Street, Suite 2212
Honolulu, HI 96813

Idaho:

Registered Agent Solutions, Inc.
921 S. Orchard, Suite G
Boise, ID 83705

Illinois:

Illinois Secretary of State
213 State Capital
Springfield, Illinois 62756

Registered Agent Solutions, Inc.
901 S. 2nd Street, Suite 201
Springfield, IL 62704

Indiana:

Indiana Secretary of State
200 W. Washington Street
Room 201
Indianapolis, IN 46204

Registered Agent Solutions, Inc.
200 Byrd Way, Suite 205
Greenwood, IN 46143

Iowa:

Registered Agent Solutions, Inc.
400 East Court Ave., Suite 110
Des Moines, IA 50309

Kansas:

Registered Agent Solutions, Inc.
2101 SW 21st Street
Topeka, KS 66604

Kentucky:

Registered Agent Solutions, Inc.
828 Lane Allen Road, Suite 219
Lexington, KY 40504

Louisiana:

Registered Agent Solutions, Inc.
3867 Plaza Tower Dr., 1st Floor
Baton Rouge, LA 70816

Maine:

Registered Agent Solutions, Inc.
One Canal Plaza, 9th Floor
Portland, ME 04112

Maryland:

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

Registered Agent Solutions, Inc.
8007 Baileys Lane
Pasadena, MD 21122

Massachusetts:

Registered Agent Solutions, Inc.
44 School Street, Suite 505
Boston, MA 02108

Michigan:

Corporations, Securities, & Commercial
Licensing Bureau
Securities & Audit Division
P.O. Box 30018
Lansing, Michigan 48909

Registered Agent Solutions, Inc.
2285 South Michigan Road
Eaton Rapids, MI 48827

Minnesota:

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

Registered Agent Solutions, Inc.
1010 Dale Street North
St. Paul, MN 55117

Missouri:

Registered Agent Solutions, Inc.
3225-A Emerald Lane
Jefferson City, MO 65109

Montana:

Registered Agent Solutions, Inc.
302 N. Last Chance Gulch, Suite 409
Helena, MT 59601

Nebraska:

Registered Agent Solutions, Inc.
5601 S. 59th Street, Suite C
Lincoln, NE 68516

Nevada:

Registered Agent Solutions, Inc.
4625 West Nevso Drive, Suite 2
Las Vegas, NV 89103

New Hampshire:

Registered Agent Solutions, Inc.
10 Ferry Street, Suite 313
Concord, NH 03301

New Jersey:

Registered Agent Solutions, Inc.
208 West State Street
Trenton, NJ 08608

New Mexico:

Registered Agent Solutions, Inc.
206 S. Coronado Ave.
Espanola, NM 87532

New York:

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

Registered Agent Solutions, Inc.
99 Washington Avenue, Suite 1008
Albany, NY 12260

North Carolina:

Registered Agent Solutions, Inc.
176 Mine Lake Court, Suite 100
Raleigh, NC 27615

North Dakota:

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

Registered Agent Solutions, Inc.
1709 North 19th Street, Suite 3
Bismarck, ND 58501-2121

Ohio:

Registered Agent Solutions, Inc.
4568 Mayfield Rd. Suite 204
Cleveland, OH 44121

Oklahoma:

Registered Agent Solutions, Inc.
1406 Terrace Drive
Tulsa, OK 74104-4626

Oregon:

Director of Oregon Department of Consumer
and Business Services
Division of Financial Regulation
350 Winter Street, NE, Room 410
Salem, Oregon 97301

Registered Agent Solutions, Inc.
8130 S.W. Beaverton-Hillsdale Hwy.
Portland, OR 97225

Pennsylvania:

Registered Agent Solutions, Inc.
125 Locust Street
Harrisburg, PA 17101

Rhode Island:

Director of Rhode Island Department
of Business Regulation
Department of Business Regulation
Securities Division
Building 68-2
1511 Pontiac Avenue
Cranston, Rhode Island 02920-4407

Registered Agent Solutions, Inc.
222 Jefferson Blvd., Suite 200
Warwick, RI 02888

South Carolina:

Registered Agent Solutions, Inc.
317 Ruth Vista Road
Lexington, SC 29073

South Dakota:

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

Registered Agent Solutions, Inc.
880 Kingswood Dr.
Rapid City, SD 57702

Tennessee:

Registered Agent Solutions, Inc.
992 Davidson Drive, Suite B
Nashville, TN 37205

Texas:

Registered Agent Solutions, Inc.
1701 Directors Blvd., Suite 300
Austin, TX 78744

Utah:

Registered Agent Solutions, Inc.
2005 East 2700 South, Suite 200
Salt Lake City, UT 84109

Vermont:

Registered Agent Solutions, Inc.
1478 Huntington Road
Richmond, VT 05477

Virginia:

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

Registered Agent Solutions, Inc.
7288 Hanover Green Drive
Mechanicsville, VA 23111

Washington:

Director of Dept. of Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760

Registered Agent Solutions, Inc.
3400 Capitol Blvd. SE, Suite 101
Tumwater, WA 98501

West Virginia:

Registered Agent Solutions, Inc.
200 Capitol Street
Charleston, WV 25301

Wisconsin:

Wisconsin Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, 4th Floor North Tower
Madison, WI 53705
(608) 266-0448

Registered Agent Solutions, Inc.
901 S. Whitney Way
Madison, WI 53711

Wyoming:

Registered Agent Solutions, Inc.
125 S. King Street
PO Box 2922
Jackson, WY 83001

EXHIBIT N

GENERAL RELEASE OF ALL CLAIMS

This General Release of All Claims ("General Release") is made effective this _____ day of _____, 20___. As a requirement of and in consideration for the willingness on the part of Stanley Convergent Security Solutions, Inc., a Delaware corporation ("Sonitrol"), to _____ the Franchise Agreement, dated _____ for a territory generally described as _____ ("Franchise Agreement") as requested by the undersigned, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally RELEASES and DISCHARGES Sonitrol, any person acting by, through, under or on behalf of Sonitrol, and its past and present shareholders, officers, directors, employees, successors, assigns, agents, parent and affiliates from any and all liabilities, claims, damages, demands, costs, indebtedness, expenses, debts, indemnities, compensation, suits, controversies, covenants, contracts, actions and causes of action of any kind whatsoever, whether developed or undeveloped, known or unknown, fixed or contingent, regarding or arising out of the Franchise Agreement, any prior or existing franchise agreement, or any other agreement or document executed by any of the undersigned and Sonitrol (or any corporate affiliate of Sonitrol), the franchise relationship, or any other prior or existing business relationship between any of the undersigned and Sonitrol (or any corporate affiliate of Sonitrol) which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against Sonitrol (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims under the Sherman and Clayton Acts and the anti-trust laws or regulations of the United States, and claims arising from contract, written or oral communications, alleged misstatements of fact, indebtedness of any kind or nature, and acts of negligence whether active or passive. This General Release shall survive the assignment, expiration or termination of any of the franchise agreements or other agreements entered into by and between Sonitrol (or any corporate affiliate of Sonitrol) and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws. The undersigned acknowledges and agrees that certain of its obligations as provided in Section 18 and Section 19 of the of the Franchise Agreement, in addition to those other obligations of the undersigned which specifically or by their nature survive termination of the Franchise Agreement, shall continue after the transfer, expiration or termination of the Franchise Agreement.

WITNESS:

_____

_____

By: _____

Printed Name: _____

Title: _____

EXHIBIT O

MUTUAL RELEASE OF ALL CLAIMS

This Mutual Release Of All Claims ("Mutual Release") is made this ____ day of _____, 20___, by and between Stanley Convergent Security Solutions, Inc., a Delaware corporation ("Sonitrol"), and _____, a _____ corporation ("Franchisee").

WHEREAS, Sonitrol and Franchisee entered into a Sonitrol Franchise Agreement dated _____, 20___ for a territory generally described as _____ ("Franchise Agreement"), and

WHEREAS, Sonitrol and Franchisee desire to execute this Mutual Release pursuant to the terms of the Franchise Agreement, to release each other from all claims relating to the Franchise Agreement.

NOW, THEREFORE, in consideration of the above premises and the mutual agreements herein set forth, and for good and valuable consideration, acknowledged and received, the parties hereto agree as follows:

Sonitrol and Franchisee irrevocably and unconditionally release and discharge each other and each of its respective owners, stockholders, predecessors, assigns, agents, directors, officers, employees, representatives, attorneys, subsidiaries, affiliates (and agents, directors, officers, employees, representatives and attorneys of subsidiaries and affiliates) and all persons acting by, through, under, or in concert with any of them or any of them, from any and all liabilities, claims, damages, demands, costs, indebtedness, expenses, debts, indemnities, compensation, suits, controversies, covenants, contracts, actions and causes of action of any kind whatsoever, whether developed or undeveloped, known or unknown, fixed or contingent, regarding or arising out of the Franchise Agreement, any prior or existing franchise agreement, or any other agreement or document executed by Franchisee and Sonitrol (or any corporate affiliate of Sonitrol), the franchise relationship, or any other prior or existing business relationship between Franchisee and Sonitrol (or any corporate affiliate of Sonitrol) which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against each other at any time up to the date of this Mutual Release, including specifically, without limitation, claims under the Sherman and Clayton Acts and the anti-trust laws or regulations of the United States, and claims arising from contract, written or oral communications, alleged misstatements of fact, indebtedness of any kind or nature, and acts of negligence whether active or passive; provided however, this Mutual Release shall not release Franchisee from its payment obligations to Sonitrol (or any corporate affiliate of Sonitrol) accruing under the Franchise Agreement, any prior or existing franchise agreement, or any other agreement or document executed by Franchisee and Sonitrol (or any corporate affiliate of Sonitrol), including, without limitation, any software, monitoring, inventory or equipment agreements, and Sonitrol shall retain all rights and remedies it has under applicable law, or the Franchise Agreement or other agreements or documents, to collect from Franchisee all amounts due to Sonitrol or its corporate affiliates. This Mutual Release shall survive the assignment, expiration or termination of any of the franchise agreements or other agreements entered into by and between Sonitrol (or any corporate affiliate of Sonitrol) and Franchisee. This Mutual Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws. The Franchisee acknowledges and agrees that certain of its obligations as provided in Section 17 and Section 18 of the of the Franchise Agreement, in addition to those other obligations of the Franchisee which specifically or by their nature survive termination of the Franchise Agreement, shall continue after the transfer, expiration or termination of the Franchise Agreement.

IN WITNESS WHEREOF, this Mutual Release of Franchise has been executed as of the day first above written.

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.

ATTEST:

By: _____

_____ Title: _____

Secretary

FRANCHISEE:

_____

SONITROL OF _____

ATTEST:

By: _____

Title: _____

_____

Secretary

EXHIBIT P

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.
SONITROL FRANCHISE STANDARDS MANUAL

The Sonitrol Franchise Standards Manual has a total of 27 pages.

Table of Contents

TOPIC	NUMBER OF PAGES DEVOTED TO TOPIC
INTRODUCTION	1
UNDERSTANDING FRANCHISING	the total number of pages devoted to this topic is 4
WHAT IS FRANCHISING?	1
OBJECTIVES OF FRANCHISING	1
WHO OWNS WHAT?	1
BRAND	1
OPERATING SYSTEM	1
ENHANCED VALUE	1
CONFIRMED EXPECTATIONS	1
WORD OF MOUTH	1
COMPLIANCE	1
ONGOING SUPPORT	1
MAKING THE EFFORT	1
SUMMARY	1
GENERAL STANDARDS	the total number of pages devoted to this topic is 5
LOGO	1
TRADEMARK	1
SEPARATION OF NON-SONITROL BUSINESS	1
INSURANCE	1
LICENSES AND PERMITS	1
ROYALTY FEES	1
NATIONAL ACCOUNTS PROGRAM PROCEDURES AND STANDARDS	1
CONTRACT MONITORING SCHEDULE	3
OPERATING TERRITORY	1
WEBSITE STANDARDS	1
ADMINISTRATIVE	the total number of pages devoted to this topic is 4
STANDARDS OF BUSINESS	1
EMPLOYEE STANDARDS	1
FACILITY SECURITY	1
FINANCIAL OPERATIONS	1
TAXES	1
CUSTOMER CONTRACTS	1
FACILITY MATERIAL	1
FRANCHISE QUALITY ASSURANCE PROGRAM	1
VEHICLES	1

OPERATIONAL ..... the total number of pages devoted to this topic is 2

HOURS OF BUSINESS 1
SONITROL PRODUCTS PURCHASING 1
APPROVED PRODUCTS 1
COMMUNITY RELATIONS 1

MONITORING ..... the total number of pages devoted to this topic is 4

CENTRAL STATION POLICY 1
CENTRAL STATION CUSTOMER INFORMATION 1
MONITORING PROCEDURES 1
GENERAL 2
AUDIO ALARMS 1
NON-AUDIO ALARMS 1

SERVICE STANDARDS ..... the total number of pages devoted to this topic is 1

INSTALLATION STANDARDS ..... the total number of pages devoted to this topic is 4

GENERAL 1
INTRUSION/FIRE ALARMS 1
AUDIO ALARMS 1
FIRE 1
VIDEO/ACCESS CONTROL 1

DISASTER EMERGENCY PROCEDURES ..... the total number of pages devoted to this topic is 4

INTRODUCTION 1
EQUIPMENT 1
RECORDS 1
EVACUATION 1
FIRE 2
ASSISTANCE 1

Stanley Convergent Security Solutions, Inc.
Sonitrol Franchise National Accounts Guide

The Sonitrol Franchise National Accounts Guide has a total of 17 pages.

Table of Contents

TOPIC	NUMBER OF PAGES DEVOTED TO TOPIC
INTRODUCTION	1
IMPORTANCE OF CONSISTENCY IN A NATIONAL ACCOUNTS PROGRAM	1
DEFINITIONS	1
PARTICIPATION IN THE SONITROL NATIONAL ACCOUNTS PROGRAM	1
NATIONAL ACCOUNTS RESPONSIBILITIES	1
INCONSISTENCY COSTS YOU MONEY	1
PRICING STANDARDS	1
THE SALES PROCESS	1
NEW SALES – HANDLING NATIONAL ACCOUNT PROSPECTS	1
SELLING TO CURRENT NATIONAL ACCOUNTS CUSTOMERS	1
SYSTEM ADD-ONS AND UPGRADES	1
SITE SURVEYS / PROPOSALS	1
SCHEDULE OF SERVICE AND PROTECTION AND CONTRACT RIDERS	1
SONITROL FRANCHISE NATIONAL ACCOUNTS PROGRAM COMMISSIONS	2
PAYMENT TERMS FOR FRANCHISEE'S WORK	1
GENERAL TERMS OF DEFAULT UNDER NATIONAL ACCOUNTS CONTRACTS	1
NATIONAL ACCOUNTS PROGRAM STANDARDS	2
FRANCHISE INSTALLATION PROCEDURES	1
CERTIFICATE OF COMPLETION (COC) DEFINITIONS & STANDARDS	1
NOTICE OF TERMINATION OF NATIONAL ACCOUNT CONTRACT	1
ATTACHMENT A	2
NATIONAL ACCOUNTS MONITORING SCHEDULE FOR SONITROL SYSTEMS	

STANLEY CONVERGENT SECURITY SOLUTIONS, INC.
GRAPHIC STANDARDS MANUAL

The Sonitrol Graphic Standards Manual has a total of 25 pages.

Table of Contents

TOPIC	NUMBER OF PAGES DEVOTED TO TOPIC
SONITROL	the total number of pages devoted to this topic is 2
Building and Protecting the Brand	1
Communicating Our Mission and Message	1
Private Labeling	1
Approval Procedures for Local Content	1
LOGO STANDARDS	the total number of pages devoted to this topic is 5
File Formats	1
Reproduction	1
Corporate Colors	1
Color Applications	2
Dealer Identification Configuration	1
Taglines and Usage	1
Secondary Promotional Logos	1
FONT STANDARDS	the total number of pages devoted to this topic is 2
Headline and Primary Fonts	1
Secondary Font	1
STATIONERY STANDARDS	the total number of pages devoted to this topic is 3
Letterhead	1
Business Cards, Envelopes and Mailing Labels	1
Promotional Business Cards	1
SIGNAGE & DECAL STANDARDS	the total number of pages devoted to this topic is 5
Decal Placement	2
Interior and Exterior Signage	1
Vehicle Graphic Implementation	2
ADVERTISING AND PROMOTION STANDARDS	the total number of pages devoted to this topic is 2
Promotional Items and Materials	1
ONLINE COMMUNICATION STANDARDS	the total number of pages devoted to this topic is 2
Online Implementation	2
UNIFORMS & ATTIRE STANDARDS	the total number of pages devoted to this topic is 1
USING THIS MANUAL	the total number of pages devoted to this topic is 1
Use of the Sonitrol Name	1
Print Checklist	1
Contact Brand Marketing	1

EXHIBIT Q

STATE ADDENDA

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

1. California Corporations Code, Section 31125, requires Stanley Convergent Security Solutions, Inc. to give you a disclosure document, approved by the Commissioner of Financial Protection and Innovation, before solicitation of a proposed material modification of an existing franchise.

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

3. Special Risk(s) to Consider About This Franchise:

   The page entitled, "Special Risks to Consider About This Franchise" of this disclosure document is hereby modified to comply with California law by adding the following disclosure after the stated "Risk Factors":

   "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."

4. Item 3 of the disclosure document is hereby modified by adding the following paragraph to the end thereof:

   "Except as may be disclosed in this Item 3, neither Stanley Convergent Security Solutions, Inc. nor any person listed in Item 2 of this Franchise 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. 78a et seq., suspending or expelling such persons from membership in such association or exchange."

6. Item 17 of the disclosure document is hereby modified by adding the following paragraphs to the end thereof:

   "California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101, et seq.).

   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 Delaware as the forum for litigation. This provision may not be enforceable under California law.

   The Franchise Agreement requires you to participate in non-binding mediation and binding arbitration with Wilmington, Delaware as the forum. This provision may not be enforceable under California law. The parties will pay their own expenses associated with mediation, provided, however, that the fees associated with the mediator will be shared equally by the parties. The parties will pay their own expenses associated with arbitration, provided, however, in addition to any arbitration award, the prevailing party is entitled to recover reasonable costs and attorneys

fees related to the arbitration proceeding, enforcement of the arbitration provision in the Franchise Agreement and/or enforcement of any arbitration award.

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 of Delaware. This provision may not be enforceable under California law.

The Franchise Agreement requires you to sign a mutual 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 thereunder is void. Section 31512 voids a waiver of your rights under the 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)."

7. The franchise agreement contains a provision requiring you to waive your right to incidental, punitive, special, exemplary, speculative or consequential damages against the franchisor limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions may not be enforceable in California for any claims you may have under the California Franchise Investment Law.

8. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

9. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.**

CALIFORNIA ADDENDUM TO RENEWING TYPE A FRANCHISE AGREEMENT

This California Addendum to Renewing Type A Franchise Agreement (this "Addendum") is attached to and made a part of the Stanley Convergent Security Solutions, Inc. Renewing Type A Franchise Agreement (the "Franchise Agreement"), by and between Stanley Convergent Security Solutions, Inc. ("Franchisor") and _____, a(n) _____, the principal place of business of which is located at _____ ("Franchisee"), dated as of _____, 20___, for the purpose of modifying and amending the terms of the Franchise Agreement. For such purpose, Franchisor and Franchisee agree as follows:

1. All capitalized terms herein which are not separately defined herein shall have the meanings ascribed to those terms in the Franchise Agreement.

2. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control.

3. Except as specifically modified by this Addendum, all terms of the Franchise Agreement are in full force and effect.

4. Section 22.07 of the Franchise Agreement is hereby modified by adding the following paragraphs at the end thereof:

   "THIS AGREEMENT REQUIRES APPLICATION OF THE LAW OF THE STATE OF DELAWARE. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

   THIS AGREEMENT REQUIRES DELAWARE AS THE FORUM FOR LITIGATION. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW."

5. Section 22.08 of the Franchise Agreement is hereby modified by adding the following paragraphs at the end thereof:

   "THIS AGREEMENT REQUIRES WILMINGTON, DELAWARE AS THE FORUM FOR MEDIATION. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

   THIS AGREEMENT REQUIRES WILMINGTON, DELAWARE AS THE FORUM FOR ARBITRATION. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW."

6. The Franchise Agreement is hereby modified by adding a new Section 22.15 to the Franchise Agreement:

   "**22.15 California Disclosures and Modifications**

   (a) California Corporations Code, Section 31125, requires Franchisor to give you a disclosure document, approved by the Commissioner of Financial Protection and Innovation before a solicitation of a proposed material modification of an existing franchise.

   (b) Relative to the provision for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law.

   (c) California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(d) The Franchise Agreement requires you to sign a mutual general release 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 thereunder is void. Section 31512 voids a waiver of your rights under the 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).

(e) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. Except under limited circumstances, this provision is not enforceable under California law.

(f) 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.

(g) Notwithstanding anything in the Franchise Agreement to the contrary, no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable California franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

7. This Addendum, together with the Franchise Agreement to which it is attached, constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be further modified or amended except in a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties hereto have signed this Addendum to be effective as of the effective date of the Franchise Agreement.

FRANCHISOR:

Stanley Convergent Security Solutions, Inc.

By:_____

Title:_____

FRANCHISEE:

_____

(Name of Franchisee Entity)

By:_____

Title:_____

ADDENDUM TO STANLEY CONVERGENT SECURITY SOLUTIONS, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

1. Special Risk(s) to Consider About This Franchise:

The page entitled, "Special Risks to Consider About This Franchise" of this disclosure document is hereby modified to comply with Indiana law by adding the following disclosure after the stated "Risk Factors":

"INDIANA LAW IS CONTROLLING FOR INDIANA FRANCHISEES."

2. Item 3 of the disclosure document is hereby modified by adding the following paragraph to the end thereof:

"Neither Stanley Convergent Security Solutions, Inc. nor any person identified in Item 2 of this disclosure document is involved in any pending arbitration and has, during the 10 year period immediately preceding the date of this disclosure document, been a party to any arbitration proceeding."

3. Item 17 of the disclosure document is hereby modified as follows:

(a) by substituting the following in place of the specified items of the chart regarding the New Type A Franchise Agreement:

"

Provision	Section In Franchise Agreement	Summary
r. Noncompetition covenants after the franchise is terminated or expires	Section 19.2	For 2 years following the termination or expiration of the New Type A Franchise Agreement, you cannot be involved, directly or indirectly, in a competing business within your Territory.
v. Choice of forum	Sections 20.8 and 20.9	Litigation must be filed in a court of competent jurisdiction in Indiana.
w. Choice of law	Section 20.7	Indiana law applies.

"

and by adding the following paragraph to the end thereof:

"With respect to items c. and m. of the chart set forth above, you are not required to release any claims against Stanley Convergent Security Solutions, Inc. arising under Indiana franchise law."

(b) by substituting the following in place of the specified items of the chart regarding the Renewing Type A Franchise Agreement:

"

Provision	Section In Franchise Agreement	Summary
r. Noncompetition covenants after the franchise is terminated or expires	Sections 20.2 and 20.3	For two years following the effective date of the termination or expiration of the Renewing Type A Franchise Agreement, you cannot, directly or indirectly, be connected in any manner with a business that is competitive with Sonitrol within your Territory. You may, however, operate a security related business that is not competitive and you may monitor your accounts using your central monitoring station or have your accounts monitored by us or another Sonitrol franchisee approved by us. If the Renewing Type A Franchise Agreement expires (rather than is terminated), if you meet certain conditions, we will provide central monitoring station software and support for five years following expiration.
v. Choice of forum	Sections 22.07 and 22.08	Litigation must be filed in a court of competent jurisdiction in Indiana.
w. Choice of law	Section 22.07	Indiana law applies.

"

and by adding the following paragraph to the end thereof:

"With respect to items c. and m. of the chart set forth above, you are not required to release any claims against Stanley Convergent Security Solutions, Inc. arising under Indiana franchise law."

(c) by substituting the following in place of the specified items of the chart regarding the Type B Franchise Agreement:

"

Provision	Section In Franchise Agreement	Summary
r. Noncompetition covenants after the franchise is terminated	Sections 19.2 and 19.3	For 3 years following the termination or expiration of the Type B Franchise

or expires		Agreement, you cannot be involved, directly or indirectly, in a business that is competitive with Sonitrol within your Territory. You may, however, operate a security related business that is not a competing business if your Type B Franchise Agreement expires by its terms.
v. Choice of forum	Sections 20.8 and 20.9	Litigation must be filed in a court of competent jurisdiction in Indiana.
w. Choice of law	Section 20.7	Indiana law applies.

”

and by adding the following paragraph to the end thereof:

“With respect to item m. of the chart set forth above, you are not required to release any claims against Stanley Convergent Security Solutions, Inc. arising under Indiana franchise law.”

ADDENDUM TO STANLEY CONVERGENT SECURITY SOLUTIONS, INC.
RENEWING TYPE A FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

This Addendum to Stanley Convergent Security Solutions, Inc. Renewing Type A Franchise Agreement (this "Addendum") is attached to and made a part of the Stanley Convergent Security Solutions, Inc. Renewing Type A Franchise Agreement (the "Franchise Agreement"), by and between Stanley Convergent Security Solutions, Inc. ("Franchisor") and _____, a(n) _____, the principal place of business of which is located at _____ ("Franchisee"), dated as of _____, 20___, for the purpose of modifying and amending the terms of the Franchise Agreement. For such purpose, Franchisor and Franchisee agree as follows:

1. All capitalized terms herein which are not separately defined herein shall have the meanings ascribed to such terms in the Franchise Agreement.

2. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control.

3. Except as specifically modified by this Addendum, all terms of the Franchise Agreement are in full force and effect.

4. Sections 2.02(c) and 14.03(d) of the Franchise Agreement are hereby modified by adding the following language to the end thereof:

> ", provided, however, that Franchisee shall not be required to release any claim against Franchisor arising under Indiana franchise law."

5. Section 13.02 of the Franchise Agreement is hereby modified by adding the following to the end thereof:

> "Notwithstanding the forgoing, any indemnification by Franchisee of Franchisor for liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor, or caused by Franchisor's negligence, shall be excluded."

6. Sections 17.02, 20.05 and 22.08 of the Franchise Agreement are hereby modified by adding the following to the end of each section thereof:

> "Franchisor's right to injunctive relief shall be subject to Indiana Code Section 23-2-2.7-1(10). In addition, nothing in this Agreement shall be construed as a waiver by Franchisee of any applicable bond requirement with regard to Franchisor's entitlement to injunctive relief."

7. Section 22.07 of the Franchise Agreement is hereby deleted in its entirety and the following substituted therefor:

> "Governing Law. This Agreement will be construed and interpreted in accordance with the substantive laws of the State of Indiana, without reference to its conflicts of laws principles. To the extent this Agreement contains provisions regarding notice periods, termination, non-renewal or the like, which are not consistent with applicable law, such provisions shall, to the extent they are inconsistent with applicable law, not be effective, and the applicable law shall apply in their place. Except to the extent prohibited by applicable state law to the contrary, Franchisor and Franchisee agree that any litigation or legal action to enforce or relating to

this Agreement or the Sonitrol Business, including injunctive relief sought as provided in Subsection 22.08(d), shall be filed in Indiana courts, and each of Franchisor and Franchisee hereby consents to the jurisdiction of such courts."

8. The third sentence of Subsection 22.08(b) is hereby deleted in its entirety and the following substituted therefor:

"The mediation shall be held in the Indianapolis, Indiana metropolitan area, or at any other location mutually agreed upon by the parties."

9. The second sentence of Subsection 22.08(c) is hereby deleted in its entirety and the following substituted therefor:

"The arbitration proceeding shall take place in the Indianapolis, Indiana metropolitan area, or at any other location mutually agreed upon by the parties."

10. The last sentence of Subsection 20.8(d)(1) of the Franchise Agreement is hereby deleted in its entirety.

11. Franchisor's right to enforce Sections 17.02, 18.01(g), and 20.02, of the Franchise Agreement shall be subject to Indiana Code Section 23-2-2.7-1(9).

12. This Addendum, together with the Franchise Agreement to which it is attached, constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be further modified or amended except in a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties hereto have signed this Addendum to be effective as of the effective date of the Franchise Agreement.

FRANCHISOR:
Stanley Convergent Security Solutions, Inc.

By:_____
Title:_____

FRANCHISEE:

_____
(Name of Franchisee Entity)

By:_____
Title:_____

ADDENDUM TO SONITROL DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

1. Item 17 "h." of each of the charts in Item 17 of this disclosure document is hereby modified to comply with Virginia law by adding the following disclosure at the end of the "Summary" column to item "h.":

> "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.
>
> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to the franchisee under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable."

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 of the disclosure document is hereby modified by adding the following to the end thereof:

"In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 of the Revised Code of Washington ("RCW") will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington."

WASHINGTON ADDENDUM TO RENEWING TYPE A FRANCHISE AGREEMENT AND GENERAL RELEASE OF ALL CLAIMS

This Washington Addendum to Stanley Convergent Security Solutions, Inc. Renewing Type A Franchise Agreement and General Release of All Claims (collectively, this "Addendum") is attached to and made a part of the Stanley Convergent Security Solutions, Inc. Renewing Type A Franchise Agreement (the "Franchise Agreement"), by and between Stanley Convergent Security Solutions, Inc. ("Sonitrol") and _____, a(n) _____ ("Franchisee"), dated as of _____, 20__, for the purpose of modifying and amending the terms of the Franchise Agreement. For such purpose, Sonitrol and Franchisee agree as follows:

1. All capitalized terms herein which are not separately defined herein shall have the meanings ascribed to such terms in the Franchise Agreement.

2. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control.

3. Except as specifically modified by this Addendum, all terms of the Franchise Agreement are in full force and effect.

4. Section 22.07 of the Franchise Agreement is hereby modified by adding the following paragraphs to the end thereof:

"In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 of the Revised Code of Washington ("RCW") will prevail.

RCW 19.100.180 may supersede this Agreement in Franchisee's relationship with Sonitrol including the areas of termination and renewal of Franchisee's franchise. There may also be court decisions which may supersede this Agreement in Franchisee's relationship with Sonitrol including the areas of termination and renewal of Franchisee's franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by this Agreement, Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect Sonitrol's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per

year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in this Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of Sonitrol. As a result, any such provisions contained in this Agreement or elsewhere are void and unenforceable in Washington."

5. Section 22.10 of the Franchise Agreement is hereby modified by deleting the following language from the first sentence of Section 22.10:

", and that no reliance is being or will be placed on any such written or oral communications"

6. The General Release of All Claims is hereby modified by adding the following to the end thereof:

"This General Release of All Claims does not apply to claims by the undersigned that arise under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder."

7. This Addendum, together with the Franchise Agreement to which it is attached, constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be further modified or amended except in a written agreement signed by both parties.

8. The undersigned Franchisee does hereby acknowledge receipt of this Addendum.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Addendum to be effective as of the effective date of the Franchise Agreement.

SONITROL:

Stanley Convergent Security Solutions, Inc.

By: _____

Title:_____

FRANCHISEE:

_____
(Name of Franchisee Entity)

By: _____

Name Printed:_____

Title:_____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Indiana	Pending
Michigan	Pending
Virginia	Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Copy 1

RECEIPT

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

If Stanley Convergent Security Solutions, Inc. offers you a franchise, Stanley Convergent Security Solutions, Inc. must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that Stanley Convergent Security Solutions, Inc. 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 Stanley Convergent Security Solutions, 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 your state agency, if one is listed in Exhibit Q of this disclosure document.

The franchisor is Stanley Convergent Security Solutions, Inc., having principal business offices at 8350 Sunlight Drive, Fishers, Indiana 46037 and a telephone number of (317) 567-6810.

Issuance Date: May 6, 2022, as amended June 13, 2022

The franchise sellers for this offering are: Stanley Convergent Security Solutions, Inc., 8350 Sunlight Drive, Fishers, Indiana 46037 ((317) 567-6810); and Stanley Convergent Security Solutions, Inc.'s franchise sellers, Matt Kushner, Michael Neely, Julie Beach, and John Skowronski, each having a principal business address of 8350 Sunlight Drive, Fishers, Indiana 46037 ((317) 567-6810), Nick DeChello, 1000 Stanley Drive, New Britain, Connecticut, ((860) 225-5111), and _____
_____.

I received a disclosure document with an issuance date of May 6, 2022, as amended June 13, 2022, that included the following Exhibits:

A. Financial Statements and Guarantee of Performance
B. Franchise Agreement
C. Monitoring Agreement
D. Sonitrol Franchise Credit Policy and Procedures
E. SONIP™ Equipment Purchase Agreement
F. SONIP™ Software License Agreement
G. SONIP™ Service Agreement
H. mySonitrol.net Agreement
I. Agreements Not To Disclose
J. List of Sonitrol Franchisees
K. List of Sonitrol Company-Owned Locations
L. List of State Administrators
M. List of Agents for Service of Process
N. General Release of All Claims
O. Mutual Release of All Claims
P. Tables of Contents for Manuals
Q. State Addenda

Date:_____

_____
Signature of Prospective Franchisee, Individually or as an Officer, Partner or Member of:

_____

Name Printed: _____

Please sign and date this Receipt as of the date that you received the disclosure document. Please return the signed, dated Receipt to Stanley Convergent Security Solutions, Inc., Attn: Julie Beach, Vice President, Sonitrol, 8350 Sunlight Drive, Fishers, Indiana 46037.

Copy 2

RECEIPT

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

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H. mySonitrol.net Agreement
I. Agreements Not To Disclose
J. List of Sonitrol Franchisees
K. List of Sonitrol Company-Owned Locations
L. List of State Administrators
M. List of Agents for Service of Process
N. General Release of All Claims
O. Mutual Release of All Claims
P. Tables of Contents for Manuals
Q. State Addenda

Date:_____

_____
Signature of Prospective Franchisee, Individually or as an Officer, Partner or Member of:

_____

Name Printed: _____

Please sign and date this Receipt as of the date that you received the disclosure document. Please return the signed, dated Receipt to Stanley Convergent Security Solutions, Inc., Attn: Julie Beach, Vice President, Sonitrol, 8350 Sunlight Drive, Fishers, Indiana 46037.