FRANCHISE DISCLOSURE DOCUMENT

Windermere Real Estate Services Company
A Washington Corporation d/b/a Windermere Services Company
5424 Sand Point Way NE, Seattle, WA 98105
Phone: (206) 527-3801
franchise@windermere.com www.windermere.com

Windermere franchisees use the Windermere Trademarks and Windermere System in providing real estate brokerage services to customers who wish to buy, sell or lease real property.

The total investment necessary to begin operation of a Windermere Real Estate franchise is $266,000 to $1,151,000. This includes $25,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Windermere's General Counsel at the address and phone number shown above.

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, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 29, 2018

STATE COVER PAGE

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

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

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

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.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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

A. UNDER THE FRANCHISE AGREEMENT, YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM THE FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OF COMPETITIVE BRANDS FRANCHISOR CONTROLS.

B. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE’S MARITAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

C. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _________, 2018

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Exhibits:

Item 1: The Franchisor, and any Parents, Predecessors and Affiliates

Franchisor. Windermere Real Estate Services Company ("WSC") is a Washington corporation with a principal business address of 5424 Sand Point Way NE, Seattle, Washington, 98105.

WSC has been the franchisor for Windermere Real Estate since 1983 and has no predecessors within the past ten years. WSC has no parent entities.

The names under which WSC conducts business are: Windermere Services Company, Windermere Services, Windermere Real Estate, and Windermere.

WSC's agents for service of process are identified on the attached Exhibit D.

Affiliates. The following entities (all of which, except as noted below have a principal business address of 5424 Sand Point Way NE, Seattle, WA 98105) are controlled by, controlling, or under common control with WSC, and provide products or services to Windermere franchisees:

- The Windermere Foundation is a tax-exempt charitable Washington nonprofit corporation which provides funding to other organizations, primarily to address the problems of homeless and low-income families and children.

- Windermere Solutions, LLC is a Washington limited liability company doing business as MoxiWorks, which develops, sells and services technology systems and tools for WSC, its franchisees and their agents. Its principal place of business is located at 815 Western Avenue, Suite 400, Seattle, WA 98104.

- Relo, LLC is a Washington limited liability company doing business as Windermere Relocation and Referral Services. The company has been a licensed real estate brokerage firm in Washington since 2008 and works with national relocation companies to direct referrals to and from Windermere agents nationwide. Its principal place of business is 301 NE 100th Street, Suite 200, Seattle, WA 98125.

- Windermere Referrals, LLC is a Washington limited liability company and has been a licensed real estate firm in Washington since 2008. It permits retired or former agents in Washington to keep their real estate licenses active for the sole purpose of receiving referral fees.

- Leadership Academy, LLC is a Washington limited liability company and subsidiary of WSC which offers optional management and leadership training for Windermere franchise owners and managers.

- MIHC, LLC is a Washington limited liability company in which WSC holds a controlling interest. MIHC, LLC in turn owns 60% of WD Insurance, LLC, a Washington limited liability company doing business as Moreland Insurance. Moreland is an insurance brokerage which offers insurance products to Windermere franchisees, their brokers, and clients.

- Windermere Coaching, LLC is a Washington limited liability company and subsidiary of WSC. It offers individual and group business coaching to Windermere agents.

Business and Franchises Offered. The sole business activity of WSC is to offer franchises to operate Windermere real estate brokerage offices using the Windermere Real Estate name and trademarks. Except as noted above, neither WSC nor its affiliates directly operate any real estate brokerage offices, are not engaged in any other business activity, and do not offer franchises in any other line of business. However, some principals and officers of WSC do have ownership interests in one or more Windermere franchisees, which do operate brokerage offices.

Windermere franchisees are in the business of rendering real estate brokerage services, primarily to buyers and sellers of residential real estate. Some Windermere franchisees also engage in commercial real estate brokerage, and/or property management services. The real estate brokerage business is a developed market, with sales primarily to a certain group – namely individuals or businesses interested in buying, selling or leasing real estate. In some areas the market for real estate brokerage services may be seasonal.

The real estate brokerage industry is heavily regulated. In most states real estate brokerage businesses – and/or their principal brokers - must be licensed to engage in rendering real estate brokerage services. Licensing laws vary from state to state, but in general require you to be or employ a licensed real estate broker and use only licensed real estate agents, and to comply with additional state laws and regulations. Other state laws may further regulate or affect the real estate brokerage industry, such as laws governing condominiums, timeshares, manufactured and mobile homes, and environmental laws and regulations. Similarly, there are federal laws and regulations which affect the real estate brokerage industry, including without limitation the Real Estate Settlement Procedures Act (RESPA), Federal Fair Housing laws and regulations, and environmental laws and regulations. Local (city and county) ordinances may also affect real estate brokerage businesses, such as by limiting the size and placement of "for sale" signs, open house signs, etc. This is not intended to be an exhaustive summary of laws, regulations and ordinances that may affect the industry and is not intended as legal advice. WSC strongly urges you to consult with your own attorney regarding laws that apply to you and your business.

You will be competing with other real estate brokers, some of whom may be affiliated with other regional or national real estate brokerage franchise systems, including without limitation John L. Scott, Coldwell Banker, RE/Max, Century 21, Keller Williams, ERA, Sotheby's, Better Homes & Gardens, Real Living, and Berkshire Hathaway Home Services, in addition to independent real estate brokerage firms not affiliated with any franchise system.

Prior Business Experience. Although one or more officers of WSC are licensed real estate brokers or former brokers, and in those capacities have had experience operating a business of the type you will be operating, WSC itself has never directly conducted a real estate brokerage business. WSC has offered franchises of the type you will be operating since 1983.

WSC previously offered area representation franchises. Area representatives operated under written agreements which allowed them to sell new Windermere franchises in one or more states and obligated them to provide ongoing support services to the franchises in their region. WSC offered area representation franchises from time to time between 1992 and 2005, and during that time entered into a total of five area representation agreements. Only one area representative remains in operation in Spokane, Washington.

Item 2: Business Experience

The information that follows identifies the directors, officers and other executives of WSC who will have management responsibility relating to the sale and operation of franchises offered in this document.

John W. Jacobi: Founder, Director, and Chairman of the Board. John Jacobi founded WSC in 1983. He has held the position of Chairman of the Board since the Company's founding at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Geoffrey P. Wood: Chief Executive Officer. Geoff Wood has held the position of CEO for WSC since 2003, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Jill Jacobi Wood: Director and Co-President. Jill Jacobi Wood has been a Director of WSC since 1994 and has served as its President since 2007. She also serves as the Designated Broker of Windermere Referrals, LLC, and serves on the Board of the Windermere Foundation, all at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

John O. "OB" Jacobi: Director and Co-President. OB Jacobi has been a Director of WSC since 1994 and became a Co-President of WSC in 2016. He has served as President and Designated Broker of Windermere Real Estate Company since December 2007, and serves on the board of the Windermere Foundation, all at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105. He also serves on the board of Windermere Solutions, LLC, at 815 Western Avenue, Suite 400, Seattle, WA 98104.

Michael J. Teather: Co-President. Michael Teather joined WSC in 2008 as Senior Vice President of Client Services, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105. He was promoted to Co-President in 2016.

Brooks Burton: Chief Operating Officer. Brooks Burton joined WSC in June 2017 as Chief Operating Officer, at WSC's headquarters at 5424 Sand Point Way NE, Seattle, WA 98105. He was previously an Executive Vice President and COO of HER Realtors in Columbus, Ohio from May 2012 through June 2017.

Paul Drayna: General Counsel and Secretary. Paul Drayna has been General Counsel at WSC since 2007, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Michael Fanning: Senior Vice President-Client Services. Michael Fanning joined WSC in 1996 at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105, and has served as Senior Vice President-Client Services since January 2011.

Matthew Gardner: Chief Economist. Matthew joined WSC in 2015 as Chief Economist at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105. Prior to joining WSC he had his own private practice, Gardner Economics, from 2000 to 2015 in Seattle.

Mark Oster: Treasurer and Chief Financial Officer. Mark Oster joined WSC in 2010 as Director of Finance and Accounting. He was promoted to Vice President of Finance in September 2011, and to CFO in September 2015, all at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Charles Painter: Senior Vice President – Client Services. Chip Painter joined Windermere in 2004 as Senior Vice President of Client Services, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Shawn Prutsman: Vice President of Technology. Shawn Prutsman joined WSC in May 2015 as Vice President of Technology, at WSC's headquarters at 5424 Sand Point Way NE, Seattle, WA 98105. Prior to joining WSC, Mr. Prutsman was a Senior Product Manager for Microsoft Corporation in Redmond, WA, from 2006 to 2014.

Shelley Rossi: Vice President – Communications. Shelley Rossi joined WSC in 2011 as Vice President – Communications, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

Christine Wood: Executive Director – Windermere Foundation. Christine Wood has served as the Executive Director of the Windermere Foundation since 1999, at WSC's headquarters, located at 5424 Sand Point Way NE, Seattle, WA 98105.

REGIONAL LEADERSHIP

Tara Scholl: Windermere Services Northern California and Nevada. Tara joined WSC in 2013 as Senior Vice President of Business Development. She was promoted to President of WSC's Norther California and Nevada regions in 2015, with an office located at 3336 N Texas St., Ste J111, Fairfield, CA 94533. Prior to joining WSC she had been Senior Director of Strategic Growth for Century 21, LLC since 2012, and Director of Strategic Growth Services for Century 21, LLC since 2010.

Item 3: Litigation

Bennion & Deville Fine Homes, Inc.; Bennion & Deville Fine Homes SoCal, Inc; and Windermere Services Southern California, Inc. v. Windermere Real Estate Services Co., Case No. 2:15-CV-07322 was filed in the United States District Court for the Central District of California on September 17, 2015. The plaintiffs are two former franchisees, and one former area representative (all under common ownership). The amended complaint asserts the following claims:

- Breach of Contract – Coachella Valley Franchise Agreement. Plaintiffs allege that WSC failed to provide promised services; failed to provide a viable "Windermere System"; failed to take necessary action to prevent infringement of the Windermere trademark or unfair competition faced by plaintiffs; and failed to make commercially reasonable efforts to curtail attacks on the Windermere brand in Southern California.
- Breach of Implied Covenant of Good Faith and Fair Dealing – Coachella Valley Franchise Agreement. Plaintiffs allege that WSC failed to provide adequate technology services in return for "excessive" technology fees; failed to provide a viable Windermere System; improperly recruited plaintiffs' sales agents and other employees to join WSC and other Windermere offices; terminated the Area Representation Agreement for Southern California; and terminated the Area Representative for Southern California without providing a comparable replacement.
- Breach of Contract – Area Representation Agreement. Plaintiffs allege that WSC failed to provide its former area representative with the uninterrupted right to offer Windermere franchised businesses in Southern California; failed to provide a viable "Windermere System"; failed to provide servicing support in connection with the marketing, promotion and administration of the Windermere trademark and system; failed to make competent "key people" available to assist the area representative in carrying out its obligations to offer and sell franchises; failed to pay a termination fee; failed to promptly and diligently prepare and file all franchise registration filings required under California law; failed to maintain the registration of a franchise disclosure document for Southern California; deprived the area representative of its right to offer new Windermere franchises; failed to provide a technology system; and attempted to terminate the area representation agreement under pretense that the area representative was a guarantor of franchise fees owed by franchisees in its region.
- Breach of Implied Covenant of Good Faith and Fair Dealing – Area Representation Agreement. Plaintiffs allege that WSC: failed to provide a viable Windermere System California; took action to interfere with and damage relationships between the area representative and franchisees in its region; solicited the area representative to participate in offering and selling franchises in violation of franchise laws; made efforts to acquire the area representative's "superior services and related technology"; and failed to act in good faith.
- Breach of Contract – SoCal Franchise Agreement. Plaintiffs allege that WSC: failed to provide a viable "Windermere System"; failed to provide promised "guidance" to plaintiffs with respect to the Windermere System; failed to take necessary action to prevent infringement of the Windermere trademark or unfair competition faced by plaintiffs; and failed to make commercially reasonable efforts to curtail attacks on the Windermere brand in Southern California.
- Breach of Implied Covenant of Good Faith and Fair Dealing. Plaintiffs allege that WSC failed to provide adequate technology services in return for "excessive" technology fees; failed to provide a viable Windermere System; improperly recruited plaintiffs' sales

agents and other employees to join WSC and other Windermere offices; terminated the Area Representation Agreement for Southern California; and terminated the Area Representative for Southern California without providing a comparable replacement.

- Violation of the California Franchise Relations Act, Section 20020. Plaintiffs allege that WSC terminated the area representation agreement without cause, contrary to the California Franchise Relations Act, Section 20020.

The complaint seeks unspecified damages, declaratory relief, statutory damages, and recovery of attorney fees. WSC's answer denies any wrongdoing, and WSC filed an amended counterclaim asserting claims for breach of contract, violation of the Anticybersquatting Consumer Protection Act, trademark infringement, unfair business practices, open book account and seeking an accounting. The counter-complaint seeks damages in excess of $1.2 million of unpaid franchise and other fees, as well as injunctive relief, statutory damages, a full accounting, and recovery of attorney fees.

In October 2016 the court granted WSC's motion for summary judgment in full, dismissing some of the claims against WSC, including the claim that WSC violated Section 20020 of the California Franchise Relations Act. The court also granted partial summary judgment in favor of plaintiffs, dismissing WSC's claims for trademark infringement. The case is pending.

No other litigation is required to be disclosed.

Neither the franchisor, nor any person or franchise broker in Item 2, above, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 USC 78a et seq., suspending or expelling such person from membership in such association or exchange.

Item 4: Bankruptcy

No disclosures required.

Item 5: Initial Fees

Franchisees pay to WSC a lump sum initial franchise fee of twenty-five thousand dollars ($25,000.00) which is due and payable in cash upon signing the Franchise Agreement.

WSC does not finance initial fees, but in some cases has allowed franchisees to pay in installments, if circumstances warrant.

Initial fees are non-refundable, unless you are unable to agree with WSC upon a location for your initial office location (See Item 11, below).

Item 6: Other Fees

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Ongoing Franchise License Fees	Five percent (5%) of gross revenue; fees on residential commissions are capped at $85,000 per agent per calendar year. See notes below.	See Notes below.	Gross revenue means all revenue derived from providing real estate brokerage services, including referral fees, commissions, property management fees, or any other form of compensation however named.
Technology Fee	$68.00 per agent per month.	See Notes below.	Collected by WSC on behalf of Windermere Solutions, LLC.
Email Fee	$6.00 per email address per month	See Notes below	Collected by WSC on behalf of Windermere Solutions, LLC. See Notes below.
Marketing Fee	One percent (1%) of gross commission revenue; capped at $50,000 per agent per calendar year. See notes below.	See Notes below.	See Notes below.
Windermere Foundation Contribution	Suggested Donation of $10.00 per transaction side.	See Notes below.	Payable to the Windermere Foundation, a Washington non-profit corporation. See Notes below.

Notes:

1. Ongoing License Fees on residential sale commissions only are "capped" at an amount stated in the franchise agreement. The "cap" amount represents the gross commissions earned by each agent per calendar year. For example, a cap amount of $85,000 means that Franchisee will pay Ongoing License Fees on the first $85,000 of

residential sale commissions earned by each agent during each calendar year. The fee "cap" does not apply to commercial commissions or property management revenue and is subject to cancellation or change by WSC at any time with six months' written notice.

2. All fees must be reported and paid monthly by the 15th day of the following month. (Example: January report and fees are due by February 15).

3. For all fees paid on a "per agent" basis, "agent" means any real estate licensee licensed to the franchisee with the applicable state real estate licensing authority. WSC may from time to time adopt policies exempting certain individuals from payment of certain "per agent" fees. A copy of the current policy is available on the WORC site, or from the WSC on request. Fee reporting policies may be changed from time to time with written notice, in WSC's sole discretion.

4. Each office is provided three free email addresses for administrative purposes. Additional email addresses are $6.00 per month per address.

5. A transaction "side" means the listing and/or selling side of a real estate transaction. If a franchisee represents only one side (buyer or seller), then the suggested Windermere Foundation donation is $10.00. If franchisee represented both sides (buyer and seller), then the suggested donation is $20.00.

6. Except as otherwise noted above, all fees are imposed by, collected and payable to the franchisor. All fees are non-refundable. All fees are uniformly imposed but are subject to modification on a case-by-case basis if business circumstances so warrant. Technology and Marketing fees are subject to change with six months written notice and may increase by up to 10% per calendar year. New fees may be added with six months written notice.

7. Fees are uniformly imposed, although franchisees operating under older versions of the franchise agreement may pay different fees than provided for in the current version.

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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
	Low	High			
Initial Franchise Fee	$25,000	$25,000	Cash	At signing of franchise agreement	WSC
Training Expenses	$0	$10,000	Varies	Varies	Various vendors.
Real Property, whether purchased or leased	$96,000 Per year	$216,000 Per year	Cash	Monthly rent or mortgage payment	Landlord, or mortgage lender
Equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements and decorating costs, whether purchased or leased	$20,000	$600,000	Varies	Varies. It may be possible to finance some of these expenses, and landlords may provide allowances for some improvements as part of lease negotiations.	Various vendors.
Office Supplies (including letterhead, business cards, etc.)	$5,000	$15,000	Cash	At time of purchase.	Various vendors.

Type of Expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Security deposits, utility deposits, business licenses, and other prepaid expenses	$0	$25,000	Varies	Varies	Various vendors and governmental agencies.
Other required payments, such as additional training, travel, or advertising expenses	$0	$10,000	Varies	Varies	Varies
Additional funds – initial 12 months	$120,000	$250,000	Varies	Varies	Varies
TOTAL	$266,000	$1,151,000			

NOTES

1. Real property costs vary widely based on the size and location of the franchisee's office(s). Estimates stated above are based on a single office with gross monthly rent of $8,000 to $18,000. Expenses incurred in real property improvements, equipment, fixtures, furniture, etc. will vary depending on whether the office(s) are new start-up locations, or conversions of existing real estate brokerage offices. An existing office may incur only minimal expense to replace existing exterior signage. A new office being built-out from raw space, with no landlord allowance for tenant improvements, may cost $500,000 or more, depending on location, finishes and fixtures selected, etc.

2. The estimate of additional funds above is based on twelve months, which the franchisor recommends due to the seasonal and cyclical nature of the real estate market. The actual amount of cash reserves required will vary depending on the size and location of the office, the timing of when the office opens, and whether the office is a start-up, or a

conversion of an existing brokerage business. Start-up businesses will require more cash reserves than an existing brokerage, as it can take 3-6 months before revenue will be generated due to the timing of real estate transaction closings.

3. The initial fee paid to WSC is only refundable if you and WSC are unable to agree on an initial office location within a certain period of time. Amounts paid to third parties may be refundable under some circumstances; franchisees should determine this to their own satisfaction.

4. WSC does not routinely finance any of the initial investment for franchisees. In exceptional cases WSC or one of its affiliated entities may offer limited financing assistance on a case by case basis. The terms of such financing vary from case to case based on the circumstances.

Item 8: Restrictions on Sources of Products and Services

You are not required to purchase any particular items in connection with the operation of your business, and you are not required to buy any items from WSC directly. However, any items you purchase that incorporate the Trademark (i.e., the Windermere name and logo) such as stationery, business cards, signs and other marketing materials must conform to WSC's specifications for use of the Trademark. The specifications are subject to change from time to time with written notice, and you must comply with any such changes in the specifications within a reasonable period of time. The most current specifications are posted on the Windermere Online Resource Center (WORC) intranet site.

With respect to signs and business cards only, we require that all vendors be pre-approved by the WSC Marketing Department. A list of previously approved vendors is available on the WORC site, or by request. If you wish to purchase signs or business cards from a vendor not on the list, please contact the WSC Marketing Department to request approval for your new vendor. The Marketing Department will then work with the vendor to determine if its products meet WSC's standards, and you will be notified of the Marketing Department's decision within ten business days of your request. Approval of sign and business card vendors is based on a subjective determination by WSC regarding the quality of the vendor's products and conformity with the overall "look and feel" of the Windermere Brand, and approval may be withheld in WSC's sole discretion. Because this is a subjective case-by-case evaluation, there are no written approval criteria available to franchisees. You are free to contract with any alternative supplier that meets WSC's criteria. However, approval of a sign or business card vendor may be revoked at any time by written notice from WSC if the vendor ceases to meet WSC's criteria for quality of goods and services. There is no charge for review and approval of an alternative vendor.

With respect to all other materials and supplies (other than signs and business cards) we do not have designated or approved suppliers or vendors from whom you are required to purchase goods or services relating to your franchise business. We do maintain a list of "Preferred Vendors" who have previously demonstrated consistently high quality and conformance to WSC's specifications. There are no purchasing or distribution cooperatives. However, WSC has negotiated purchase arrangements with some vendors and suppliers, including the negotiation of price terms, for the benefit of franchisees. Details are available on request from the WSC Marketing Department.

Some Windermere-branded promotional items are sold by WSC directly or sold for WSC through one or more third party vendors. In addition, WSC receives revenue from the sales of certain goods and services by some third-party vendors as follows:

Supplier Name:	**Goods or Services Sold:**	**Basis of Payments from Supplier to WSC from Franchisee Purchases:**
VHT	Professional Photography	5% of gross sales of certain products and services
Virtuance	Professional Photography	5% of gross revenue from services provided to Windermere agents.
Xpressdocs	Personal Marketing Materials custom printed for agents to order	6.5% of monthly sales up to $120,999; 9% on additional monthly sales up to $139,999; 11% on additional monthly sales up to $159,999; 13% on additional monthly sales of $160,000 or more.
The CE Shop, Inc.	Online Continuing Education Classes	20% of amounts paid for continuing education courses
Rockwell Institute	Online Pre-Licensing and Continuing Education Classes	Varies by product, from 13% to 53% of the tuition paid.

While WSC will derive revenue from the sales of goods and services from these vendors, they are optional items which you are not required to purchase.

There are no material benefits provided to any franchisees based on the purchase of particular products or services, or based on use of particular suppliers.

Other than the affiliated entities identified in Item 1, above (some of which provide goods and/or services to franchisees), the officers of WSC do not own any interest in any suppliers that do business with Windermere franchisees.

Item 9: Franchisee's Obligations

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure Document item
a. Site selection and acquisition / lease	Section 2	Item 11
b. Pre-opening purchase / lease	None	Item 11
c. Site development and other pre-opening requirements	None	Item 11
d. Initial and ongoing training	None	Item 11
e. Opening	None	Item 11
f. Fees	Section 7, App. 1	Items 5, 6
g. Compliance with standards and policies/operating manual	Sections 4, 5, 6	Item 11
h. Trademarks and proprietary information	Sections 1, 3, 5, 6, 9, 11	Item 13
i. Restrictions on products / services offered	Sections 1, 4	Item 16
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	Section 6	Item 11
n. Insurance	Section 14	None
o. Advertising	Section 6	Item 11
p. Indemnification	Sections 6, 14	Item 13
q. Owner's participation / management / staffing	None	Item 15
r. Records and reports	Section 7	Item 6
s. Inspections and audits	Section 7	Item 6
t. Transfer	Section 12	Item 17
u. Renewal	Section 8	Item 17
v. Post-termination obligations	Sections 9, 10, 11, 14	Item 17
w. Non-competition covenants	Section 1	Items 15, 17
x. Dispute resolution	Section 15	Item 17

Item 10: Financing

WSC does not routinely offer direct or indirect financing, leases or installment contracts to Windermere franchisees. However, WSC and affiliated entities have, in exceptional circumstances, provided limited financing to some franchisees in the past. The terms of such financing have varied from case to case based on circumstances.

Item 11: Franchisor's Assistance, Advertising, Computer Systems and Training

Except as listed below, WSC is not required to provide you with any assistance.

Pre-Opening

Before you open your business as a Windermere franchisee WSC will:

1. Confer with you regarding your business location. If you do not yet have office space, or if you wish to relocate your existing office when you become a Windermere franchisee, we will discuss and suggest site selection criteria based on the size of your business, your business objectives, and other market factors. While your location(s) must be approved by WSC (see below), site selection is your responsibility. We generally do not own the premises where you will operate, and do not participate in negotiating the lease or purchase of your location. See Franchise Agreement, Section 2.

Your business location(s) must be approved in advance by WSC. We do not select the site for you or restrict the areas in which you may look for a site, but upon request we will assist you in identifying potential locations. In approving your location WSC will consider a variety of factors, including without limitation:

a. Consistency with the image and reputation of the Windermere brand and Trademark;
b. The general location and neighborhood of the site you proposed;
c. Distance from competing real estate brokerage firms;
d. Traffic patterns, visibility, parking, accessibility, and other physical characteristics of the building or suite in which you propose to be located;
e. Size of your proposed space as it relates to your business plan and the number of agents/staff you project having at your location.
f. Other factors unique to your location or community.

Most franchisees select an initial location before entering into a franchise agreement. If no initial location has been approved before you sign your franchise agreement, then WSC will approve or reject your initial proposed location within ten business days after receipt of written notice requesting approval. If we are unable to agree on the location of your first office, then after three locations have been proposed and rejected you may, at your request, be released from the franchise agreement and your initial franchise fee will be refunded in full.

2. Provide you, on request, with the contact information of one or more architects, contractors and/or interior designers who have in the past worked successfully with other franchisees, if you elect to do some remodeling or decoration of your premises and you request a referral to such service providers. You are not obligated to use any specific professional and are free to use whomever you please. In addition, we will confer with you, on request, regarding your conversion of building signage, if you have existing office space, and the need to comply with local sign ordinance and obtain sign permits. You are responsible for any construction, remodeling, or decorating of the premises for the franchised business. You are also responsible for conforming your premises to local ordinances and building codes and obtaining all required permits (including sign permits). See Franchise Agreement, Sections 2, 4.

3. Provide you with a list of "Approved" and "Preferred" vendors who offer a variety of products and services, such as equipment, signs, fixtures, stationary and other supplies, which may be useful to you either during the conversion process or after opening. This list is not exclusive and except for signs and business cards you are free to trade with whomever you choose. Signs and business cards must be purchased from approved vendors. All other items displaying the Trademark must conform to WSC's then current Trademark Use Guidelines. See Item 8, above. You are responsible for obtaining all of your own equipment, signs, fixtures and supplies. See Franchise Agreement, Section 6.

4. Meet with you and your management staff for an owner and manager orientation session in which members of our senior staff explain the various Windermere System programs that are available, describe how those programs benefit your sales agents, and discuss program implementation and how we can be of assistance to you in the employment of the Windermere System. The orientation session is normally conducted in the offices of WSC by senior management of WSC. The session is conducted without charge to you, but you will bear your own travel expenses. You are responsible for hiring and training your own employees, and independent contractor sales associates. See Franchise Agreement, Section 3, 13.

5. Provide you access to the Windermere Online Resource Center (WORC), which is an intranet site accessible only to Windermere owners, managers, agents and employees. The WORC site contains suggested templates for forms, specifications, standards and procedures. You are not required to use any of the materials on the WORC site, and you are responsible for modifying our templates as necessary to comply with your local laws, as well as the unique needs of your business. We will update or modify the information on the WORC site from time to time, but these modifications will not alter your status or rights under the Franchise Agreement. If you are unable to access the WORC site online for any reason, some of the materials can be provided to you in the form of a loose-leaf binder instead. See Franchise Agreement, Sections 3, 4.

Time to Opening.

Franchisees typically accomplish their conversion or open their franchised business in two to six months after signing the Franchise Agreement. Existing real estate brokerage businesses that are converting to a Windermere office, and not moving to a new location, typically complete the conversion in approximately two months after signing their Franchise Agreement. If you do not have an existing business already operating, then the time to opening can be longer, typically approximately six months. Factors that affect this time period include your ability to negotiate a lease or otherwise secure office space, and to obtain financing and building or sign permits; and delays in the delivery or installation of equipment, furniture, signs, etc. In some states there can also be substantial delay in obtaining the required real estate licenses for your business. We encourage you to contact your state licensing authority as soon as possible for guidance on licensing procedures, and an estimate of processing time.

<u>Post-Opening Obligations</u>

During the operation of the franchise business WSC will:

1. Meet with your sales agents, normally within ninety days of opening, and jointly with you present an orientation session explaining the Windermere System programs and describing how they are implemented and how they benefit your sales agents. This orientation session is normally conducted at your office and is without charge to you or your agents. You are responsible for hiring and training your own employees, and independent contractor sales associates. See Franchise Agreement, Sections 4, 13.

2. Remain in regular contact with you and remain available to provide assistance on request regarding the Windermere System programs available to you, including improvements in existing programs and the development of new programs. See Franchise Agreement, Section 3.

3. Remain available to provide you consultation, on request, regarding operating problems you may encounter. These services will be provided on a reasonable and as available basis. If representatives of WSC travel to your location at your request to provide assistance with operating problems you may be charged for travel expenses incurred, but you will not otherwise be charged for the assistance provided. See Franchise Agreement, Section 3.

4. Assist you, on request, in the development and design of an advertising program directed at your customers, the general public. The media used to disseminate the advertising may include television, radio, newspaper and other print media, to be selected at your election and expense. The scope of the coverage, whether local or regional, will be at your direction. The source of the advertising copy and other assistance provided to you will be the in-house marketing department of WSC. You may develop and use your own advertising materials as long as they comply with the requirements and specifications of WSC regarding use of the Trademark. See Franchise Agreement, Sections 3, 6.

5. Assist you, on request, in the development of an advertising program directed at the competitive real estate agent population, if you desire such assistance. Such a program normally consists of mailing announcements to selected competitive agents in your area. The assistance provided to you by WSC will be provided without charge, however you will bear the cost of materials and mailing. See Franchise Agreement, Sections 3, 6.

6. Assist you, on request, in determining the services to be offered by the franchise to its customers and determining appropriate pricing for such services. It is expected that you will

already have an operating real estate brokerage business, and therefore you will already have established the services you offer, and the prices you charge. We will consult with you to evaluate your programs, and suggest, if appropriate, narrowing or expanding your range of services, or adjusting your pricing levels. However, we do not impose minimum or maximum prices, and all final decisions regarding the services offered and the prices charged rest with you, except as discussed below in Item 16. See Franchise Agreement, Sections 3, 4.

7. Provide you, on request, with recommendations or suggestions for administrative, bookkeeping and accounting systems used by other franchisees in your area, and assist you in locating sources for any required supplies or services. See Franchise Agreement, Sections 3, 7.

Advertising and Promotion.

WSC from time to time, at its discretion, has placed advertisements in various media including print, radio and television, which advertising has been intended to raise general public awareness of the Windermere brand. WSC intends, but is not required, to conduct such further general brand advertising in the future.

The media in which WSC has previously placed general brand advertising has been primarily local and regional. Future brand advertising, if any, may be local, regional or national in scope.

WSC's print media advertising has been primarily produced by WSC's in-house marketing department. Radio and television advertising has been produced using outside production companies and/or advertising agencies.

You may develop and use your own advertising materials, at your own cost, as long as they comply with the requirements and specifications of WSC regarding the use of the Trademark, as well as any other brand and marketing guidelines or policies as may be adopted or amended by WSC from time to time. At your request WSC will confer with you regarding the development and implementation of an advertising program directed at your customers, the general public, as well as for recruiting real estate sales associates. WSC provides some advertising templates free of charge. Customized advertising may be available from the WSC marketing department for additional charge, which charges are subject to change from time to time.

There is no advertising council, and there is no advertising cooperative.

All Windermere franchisees in California are required to contribute to a California Marketing Fund (or the "CA Fund"), which is maintained and administered by WSC. Your business must contribute one percent (1%) of its agents' gross commissions to the CA Fund, up to the first $50,000 of commissions per agent per year. Other franchisees may be contributing to the CA Fund at a lower rate, under the terms of older franchise agreements that provided for a lower contribution amount. WSC owns no outlets in California, so no franchisor-owned outlets contribute to the CA Fund. The CA Fund is not audited, and financial statements of the CA Fund are not available for review by franchisees.

Expenditures from the California Marketing Fund for 2017 were as follows:

Production	0.00%
Media Placement	86.42%
Administration Expenses	0.00%
Other	13.58%

Marketing Fund contributions collected by WSC not spent in the fiscal year in which they accrue will be budgeted for expenditure in the succeeding year or years.

In 2017 no advertising funds were used principally to solicit new franchise sales.

Except as discussed above, WSC is not required to spend any specific amount on advertising in the area where your franchise business is located.

WSC may receive payments from the California Marketing Fund as reimbursement for expenses incurred by WSC in providing goods or services for which the CA Fund is intended.

None of the revenues received by WSC for the California Marketing Fund are used for the solicitation or sale of franchises.

See Item 6 for additional information.

<u>Required Electronic Systems</u>

You will be required to submit Monthly Statistical Reports to WSC summarizing information about the operations of your business for the preceding month, including gross commission income, number of agents, and other information relevant to calculating fees due to WSC. Currently we require you to submit these reports electronically using a Microsoft Excel spreadsheet prepared by WSC.

To use the spreadsheet reporting form, you will need at least one personal computer running Microsoft Excel, or some other compatible spreadsheet program capable of opening and saving files in the Excel format. You will also require an internet connection, so the spreadsheet can be transmitted electronically to WSC via e-mail, a web-based interface, or other method as may be developed in the future. WSC does not specify any particular hardware or software, as long as it is capable of opening and saving spreadsheets in the Microsoft Excel file format. See Franchise Agreement, Section 7.

A compatible system can typically be purchased for $1,000.00 or less.

WSC does not provide any ongoing maintenance, repairs, upgrades or updates to your computer hardware or software.

WSC reserves the right to modify its reporting system from time to time. Therefore, you may be required periodically to upgrade the hardware and/or software used for submitting your monthly reports to WSC. Upgrades are infrequent. It is contemplated that future upgrades will occur not more than once per year, and the cost typically will not exceed $1,000 per upgrade. See Franchise Agreement, Section 7.

Your annual costs for optional or required maintenance, updating, upgrading or support contracts for your electronic systems will vary based on your selected vendor(s) and what equipment you choose to acquire. Except as disclosed above, WSC does not require you to spend any particular amounts for the maintenance, upgrade or replacement of your electronic systems.

WSC will not have independent access to your business's electronic systems. However, you are required to provide access to your accounting and/or financial records on request for purposes of conducting an audit of your monthly fee reports. See Franchise Agreement, Section 7.

No other electronic systems are required.

Operating Manuals

There are no operating manuals provided by WSC which impose additional obligations upon you, other than those contained or referenced in the franchise agreement itself. As discussed above, the WORC site contains suggested templates, forms, specifications, standards and procedures. We will update or modify the information on the WORC site from time to time, but these modifications will not alter your status, rights or obligations under the Franchise Agreement.

Upon request you will be provided access to the WORC site prior to signing your franchise agreement. If you are unable to access the WORC site online for any reason, on request you will be provided the equivalent materials in a loose-leaf binder instead. Any such materials provided to you before signing a franchise agreement must be returned if, after reviewing the materials, you elect not to sign an agreement. See Franchise Agreement, Section 3.

Training Program.

There is no mandatory training program. The orientation sessions with (i) owners and management and (ii) your sales agents described above are provided at your request and are normally provided on an individualized basis tailored to your specific needs or preferences and those of your sales agents. The orientation sessions generally cover the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Moxi Present, Moxi Engage, Agent Websites, Custom Express, and WORC Tools	4 Hours	NA	At the franchisee's office, or other mutually convenient location

Orientation sessions are offered on an as-needed basis, and are generally presented at the franchisee's office, or at a mutually convenient location selected by the franchisee.

Instructional materials used consist of Power Point slide presentations augmented by hard-copy handouts. The presentation is interactive, with extensive Q&A time allotted. The instructor is usually Michael Fanning, who has worked for WSC since 1997, and has been doing training in real estate related fields for twenty years.

The orientation sessions are normally conducted at your office and without charge to you or your agents. There are therefore no travel or living expenses associated with these orientation sessions.

The training sessions are open to all owners, managers, agents and staff of any Windermere franchisee. Successful completion is not required. In the past year, one hundred percent of new franchisees have requested some form of orientation.

No additional training programs or refresher courses are required.

In addition to the orientation sessions, WSC periodically sponsors "Owner Councils" in various areas where Windermere franchisees operate, and an Owners' Retreat that has been held at various resort locations. The Owner Councils and Owners' Retreat address a variety of topical issues of significance to Windermere franchisees specifically and/or to the real estate industry in general. Although all franchise owners are strongly encouraged to attend, neither is mandatory. Travel and living expenses for both are borne by franchisees electing to participate.

While WSC does not have any particular training requirements, most states have regulations requiring real estate licensees to meet certain educational requirements, both as a prerequisite to licensing, and to maintain licenses in good standing. WSC requires that you operate your business in compliance with all applicable real estate licensing laws and regulations of the state in which your offices are located. We advise that you consult an attorney or your state real estate licensing authority regarding educational requirements for licensing. See Franchise Agreement, Section 4.

Item 12: Territory

Your franchise license will be for one or more specific locations, which must be approved by the franchisor. You will not be granted any minimum territory.

You must receive permission from WSC before opening any additional branch offices or other locations or relocating any office. Such consent may be withheld in the sole discretion of WSC based on the subjective criteria described in Item 11, above.

You will not be granted any option, right of first refusal or other similar rights to acquire additional franchises. You may request permission to do so at any time, but such permission may be withheld in the sole discretion of WSC.

WSC does not grant exclusive territories to any of its franchisees. You will not receive an exclusive territory. You may face competition from other Windermere franchisees, from outlets that we own (currently none, but WSC reserves the right to add company-owned offices at any time), or from other channels of distribution or competitive brands that we control (currently none, but WSC reserves the right to acquire or create new brands at any time).

There are no restrictions on WSC's ability to solicit or accept orders from consumers in the Region. WSC reserves the right to use other channels of distribution to make sales within the Region using the principal Trademarks. WSC does not currently conduct business in the region under any other brand name but reserves the right to do so in the future. No compensation will be due to franchisee under any circumstances based on solicitations or sales in the region.

Other than as restricted by state real estate licensing laws or other laws and regulations, you are not restricted from soliciting or accepting business from consumers in any specific geographic area, either within or outside the region. You are free to use other channels such as the Internet, telemarketing, or other direct marketing to make sales within or outside the region, provided that all such activities comply with all applicable laws. However, you may not operate any physical locations except as approved by WSC.

WSC does not currently operate or franchise any business under a different trademark that offers services similar to those offered by Windermere franchisees. WSC has no plans to operate or franchise any such competing business at this time but reserves the right to do so.

Item 13: Trademarks

There are three principal marks to be licensed to you under the terms of your Franchise Agreement. Two have been registered on the principal trademark register of the United States Patent and Trademark Office, and one is now pending registration. These marks (collectively referred to as the "Trademark") are as follows:

WINDERMERE	"Windermere" is registered as a word mark in International Class 36 for real property brokerage services and property management services.
Registered	Principal Register of United States Patent and Trademark Office
Reg. Date	March 25, 1997
Reg. Number	2047919
Affidavits filed:	All required affidavits filed under Section 15 and Section 8.

	The old Windermere logo, with lettering set in distinctive font and interlocking diamond element centered above name, is registered as a design mark in International Class 36 for real property brokerage services and property management services.
Registered	Principal Register of United States Patent and Trademark Office
Reg. Date	September 18, 2001
Reg. Number	2490442
Affidavits filed:	All required affidavits filed. Section 15; Section 8.

	An application has been filed to register Windermere's new stylized "W" logo as a design mark in International Class 36 for real property brokerage services and property management services.
Registration Status	Registration is pending. A Notice of Allowance issued February 20, 2018; registration is anticipated by August 1, 2018.
Application Date:	August 17, 2017
USPTO Serial Number:	87573089

As of the date of this disclosure document most Windermere offices are still doing business under the older Windermere logo shown above. However, a comprehensive update to the Windermere logo and brand is now in process. The new Windermere logo is shown on the cover page of this document, and registration of the new stylized "W" logo is now pending. Some Windermere offices have elected to start doing business under the new logo while formal registration of the new marks is pending.

If you commence operations under the Windermere name before registration of the new mark has issued, you may elect to either use the old logo or the new logo. If you elect to use the new logo, you do so at your own risk. At this point WSC anticipates the new logo to be registered in the summer of 2018. However, if registration is denied for any reason you may need to replace all items displaying the new logo at your own expense.

Once registration of the new logo has issued, a system-wide transition to the new logo and brand will begin. Any offices commencing operations after that will be required to use the new logo and brand materials only. Offices using the old logo will need to convert to the new logo at their own expense and will be encouraged to do so as soon as possible. No firm deadline for conversion to the new logo has been set at this time, although WSC reserves the right to impose such a deadline in the future.

In addition to the three primary marks above, other marks have been registered by WSC, or have registrations pending, which are not licensed to all franchisees. All rights in those marks are retained by WSC for its use only, or may be licensed to certain franchisees only for special purposes at WSC's sole discretion. Those marks include, without limitation, the names and logos for Windermere Commercial, Windermere Property Management, and the W Collection.

Windermere COMMERCIAL	The new Windermere Commercial logo has been filed as a design mark in International Class 36 for real property brokerage services and property management services.
Registration Status	Registration is pending on the Principal Register of United States Patent and Trademark Office. A Notice of Allowance issued March 6, 2018, and registration is anticipated by July 1, 2018.
Application Date:	August 17, 2017
Application Serial Number:	87573186

Windermere PROPERTY MANAGEMENT	The new Windermere Property Management logo has been filed as a design mark in International Class 36 for real property brokerage services and property management services.
Registration Status	Registration is pending on the Principal Register of United States Patent and Trademark Office. A Notice of Allowance issued March 6, 2018, and registration is anticipated by July 1, 2018.
Application Date:	August 17, 2017
Application Serial Number:	87573182

W COLLECTION	"W Collection" has been registered as a word mark in International Class 36 for real estate brokerage services.
Registered	Principal Register of United States Patent and Trademark Office
Reg. Date	September 5, 2017
Reg. Number	5282478
Affidavits	All filings are current; no due dates pending.

The "W Collection" mark is associated with an optional marketing program for high end properties. Participation in the "W Collection" is optional, and is available only in select markets, and only to certain franchisees who meet WSC's eligibility requirements in WSC's sole discretion. There are additional fees associated with the "W Collection" program, which are subject to change at any time. Additional information about the "W Collection" program and costs are available on request.

You must follow our rules and guidelines when using the Trademark, or any other marks licensed to you by WSC. These guidelines include restrictions on your ability to register Internet domain names containing the word "Windermere" or any variations or abbreviations of any of the Trademarks. A copy of the Trademark and Domain Name Guidelines is available on request from the WSC Marketing Department, and on the WORC intranet site.

There are no currently effective adverse determinations of the United States Patent and Trademark Office, the trademark administrator of this state or any state, or of any court affecting any of the marks identified herein. There is no pending interference, opposition or cancellation proceeding relevant to the use of any of these trademarks in any state. There is no material pending federal or state court litigation regarding the use or ownership of any of WSC's trademarks. There are no agreements currently in effect which significantly limit the rights of WSC to use or license the use of the Trademark in this state.

WSC must protect your right to use the principal trademarks identified above. If you become subject to a claim of infringement or unfair competition arising from your use of the Trademark in connection with your real estate brokerage business, WSC will defend the suit at its own expense.

You must notify WSC promptly when you learn about an infringement of or challenge to your use of the Trademark, or if you discover any individual or entity using – or asserting the right to use – any identical or confusingly similar mark.

Upon being notified of any such claims, WSC will take action consistent with good business judgment to prevent infringement of the Trademark or unfair competition against Windermere licensees. Such actions will be taken at the discretion of WSC, and at its expense. WSC will control any such litigation, will select legal counsel, and make all decisions concerning the prosecution, defense or settlement of any such litigation in its sole discretion. If you are awarded monetary recovery in any legal proceeding, WSC reserves the right to obtain reimbursement of its expenses from you out of any monetary recovery awarded to you as a result of WSC's intervention on your behalf.

WSC will indemnify you against any expenses or damages you incur as a result of being named as a party to any administrative or judicial proceeding arising from your use of any trademark licensed to you by WSC, or if any such proceeding is resolved unfavorably to you.

If, in the judgment of WSC, it becomes necessary or desirable to modify or discontinue the use of one or more components of the Trademark, you and other Windermere Franchisees will each bear your own expense in connection with the modification and conversion.

WSC is unaware of any superior rights or infringing uses that could materially affect your use of the Trademark in the state where your business will be located.

Item 14: Patents, Copyrights, and Proprietary Information

There are no patents or registered copyrights that are material to the franchise.

All original works of authorship produced by WSC, including marketing, recruiting and advertising materials, as well as content produced by WSC for office or agent web sites, is the property of WSC and is legally protected by means of copyright notice included or embedded in the material or content. All copyright notices are to remain unaltered. As a Windermere Franchisee you will be granted a limited, non-exclusive license to use these materials during the term of your Franchise Agreement.

Upon expiration or termination of your Windermere franchise you must cease all use of any materials subject to WSC copyright and surrender all physical copies of proprietary Windermere materials to WSC.

Item 15: Obligation to Participate in the Actual Operation of the Franchise Business

There is no obligation imposed by the Franchise Agreement that any particular individual, partner, shareholder or officer participate personally in the direct operation of the franchise business.

However, WSC strongly recommends that franchise owners be actively involved in the management of their business, and if the franchisee is an individual, WSC recommends that the franchisee be involved in on-premises supervision of the business.

WSC does not place any limits on who the franchisee may hire as a managing broker or other on-premises supervisor. However, WSC does require that the franchised business comply with all applicable real estate licensing laws and regulations of the state where the business is located. Many states have regulations that limit who may serve as the managing broker of a real estate brokerage office, so WSC recommends that you consult with an attorney or your state's real estate licensing authority concerning this issue.

WSC has no mandatory training program of on-premises supervisors, but state real estate licensing law may require a managing broker to meet certain educational or licensing requirements. Again, we recommend you consult an attorney or your state licensing authority on this issue. See Section 4 of the Franchise Agreement.

WSC does not require that your on-premises supervisors have any minimum ownership or equity interest in the franchised business. However, some states have real estate licensing laws or regulations that impose such requirements. Again, we recommend you consult an attorney or your state licensing authority on this issue. See Section 4 of the Franchise Agreement.

All owners (sole proprietors, partners, corporate shareholders, LLC members, etc.) must be identified in the franchise agreement, and must personally guarantee the franchisee's performance of all obligations under the Franchise Agreement, including the payment of all fees. See the sample Franchise Agreement attached hereto as Exhibit B.

In addition, the franchisee and all owners (sole proprietors, partners, corporate shareholders, LLC members, etc.) are restricted from engaging in competing real estate brokerage business activities during the term of the franchise. See Section 1 of the Franchise Agreement.

Item 16: Restrictions on What the Franchisee May Sell

The Franchise Agreement licenses you to use the Windermere name and Trademark only in connection with conducting a real estate brokerage business. You are obligated to engage in the real estate brokerage business, and you may not engage in any other trade or business whatsoever using the Windermere name or Trademark except with the advance written consent of WSC, which consent may be withheld in WSC's sole discretion. You are required to comply with the guidelines issued by WSC regarding the form, content, image and style of advertising and promotion materials and the standardized use of the Trademark, and regarding approved reasonable standards of operation and service, methods and procedures adopted for the protection and maintenance of the quality image and reputation associated with the Windermere name and Trademark. WSC has sole discretion in determining what constitutes the Windermere image.

WSC may in some cases, in its sole discretion, condition the granting of a new franchise on restricting the customers to whom you may offer your services, or the nature of the services offered. See Exhibit C, which contains sample addenda to the Franchise Agreement for offices that are limited to the listing and sale of "new construction" residential property; offices that are limited to offering property management services; and offices limited to offering commercial real estate services. If no such limitation is imposed in your Franchise Agreement, then you are free to render real estate brokerage services to anyone, for any type of property permitted by your state's real estate licensing laws. However, you may only operate the licensed business from the locations specified in the Franchise Agreement or as subsequently approved by WSC.

WSC has the right, from time to time, to change the types of services you are authorized to conduct under the Windermere name, with six months advance written notice.

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Item 17: Renewal, Termination, Transfer and Dispute Resolution

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 8	Five years.
b. Renewal or extension of the term	Section 8	Renews automatically unless either party gives notice of non-renewal.
c. Requirements for the franchisee to renew or extend	Section 8	No action required; term renews automatically until either party gives notice of non-renewal.
d. Termination by franchisee	Section 9	Franchisee may terminate with cause if WSC fails to cure any default after written notice.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 9	WSC may give written notice of default and may terminate if franchisee fails to cure any such default within time stated in the agreement.
g. “Cause” defined – curable defaults	Section 9	Franchisee must cure defaults within 60 days.
h. “Cause” defined – non-curable defaults	Section 9	Certain enumerated defaults are grounds for immediate termination without opportunity to cure.
i. Franchisee’s obligation on termination / non-renewal	Sections 7, 11, 14	Franchisee must pay certain fees following termination, must cease all use of the Trademark and Windermere System, and must continue to carry certain insurance for three years.
j. Assignment of contract by franchisor	None	Assignment by franchisor is permitted

Provision	Section in franchise or other agreement	Summary
k. "Transfer" by franchisee – defined	Section 12	Transfer of franchise rights by Franchisee to another entity; any change in the ownership of Franchisee also constitutes a transfer.
l. Franchisor approval of transfer by franchisee	Section 12	Agreement may not be assigned without WSC's advance written consent
m. Conditions for franchisor approval of transfer	Section 12	Consent for a transfer must be requested in writing; Requests will be evaluated based on WSC's written standards within 60 days.
n. Franchisor's right of first refusal to acquire franchisee's business	None	None
o. Franchisor's option to purchase franchisee's business	Section 10	WSC (or its assignee) has an option to buy Franchisee's business if Franchisee gives notice of non-renewal, if franchisee requests consent to transfer a controlling interest, or if the franchise is terminated for cause.
p. Death or disability of franchisee	Section 12	Franchise terminates unless transferred to an approved transferee within six months after the death or disability of a sole proprietor franchisee, or a sole owner on a Franchisee entity.
q. Non-competition covenants during the term of the franchise	Section 1	Neither the Franchisee nor its principals may engage in any competing real estate brokerage business during the term of the franchise.
r. Non-competition covenants after the franchise is terminated or expires	None	No restrictions.
s. Modification of the agreement	Section 16	May only be modified by mutual agreement of the parties in writing.

Provision	Section in franchise or other agreement	Summary
t. Integration / merger clause	Section 16	The agreement supersedes any prior agreements or discussions of the parties, oral or written. The terms of the franchise agreement are binding subject to state law.
u. Dispute resolution by arbitration or mediation.	Section 15	The franchise agreement requires binding arbitration. The arbitration will occur in San Diego, California, with the costs being borne equally by the parties.
v. Choice of forum	Section 15	Venue for enforcing arbitration, or reducing arbitration awards to judgment, or for any other action arising from the franchise agreement, is in state or federal courts with jurisdiction over the county in which the Franchise's primary location is situated.
w. Choice of law	Section 15	The agreement is governed by the law of the State of California.

California Business and Professions Code Section 20000 through 20043 establish the rights of the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USC Sec. 101 et seq.).

The franchise agreement requires binding arbitration. The arbitration will occur in San Diego, California, with the costs being borne equally by the parties.

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.

Item 18: Public Figures

There are no public figures used in the franchise name or Trademark. No public figures are used to endorse or recommend the franchise to prospective franchisees. No public figures are involved in the management or control of WSC.

Item 19: Financial Performance Representations

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Paul Drayna, General Counsel, 5424 Sand Point Way NE, Seattle, WA 98105, 206-527-3801, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Information

Table No. 1: Systemwide Outlet Summary
For years 2015 to 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	299	284	-15
	2016	284	300	16
	2017	300	315	15
Company Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	299	284	-15
	2016	284	300	16
	2017	300	315	15

Table No. 2:
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For years 2015 to 2017

AZ	2015	0
	2016	0
	2017	0
CA	2015	1
	2016	1
	2017	0
CO	2015	0
	2016	0
	2017	0
HI	2015	0
	2016	0
	2017	2
ID	2015	0
	2016	3
	2017	2
MT	2015	0
	2016	0
	2017	0
NV	2015	0
	2016	0
	2017	0
OR	2015	3
	2016	7
	2017	4
UT	2015	0
	2016	0
	2017	0
WA	2015	8
	2016	12
	2017	8
MEXICO	2015	0
	2016	0
	2017	1

Table No. 3: Status of Franchised Outlets
For years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets At End of the Year
AK	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
AZ	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
CA	2015	43	7	0	0	0	24	26
	2016	26	11	0	0	0	1	36
	2017	36	2	0	0	0	0	38
CO	2015	1	1	0	0	0	0	2
	2016	2	3	0	0	0	0	5
	2017	5	2	0	0	0	1	6
HI	2015	4	0	0	0	0	2	2
	2016	2	2	0	0	0	0	4
	2017	4	2	0	0	0	0	6
ID	2015	13	0	0	0	0	0	13
	2016	13	1	0	0	0	1	13
	2017	13	1	0	0	0	0	14
MT	2015	6	0	0	0	0	2	4
	2016	4	1	0	0	0	0	5
	2017	5	1	0	0	0	0	6
NV	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	1	0	0	0	0	5
OR	2015	57	5	0	0	0	0	62
	2016	62	4	1	0	0	2	63
	2017	63	5	0	0	0	2	66
UT	2015	5	0	0	0	0	0	5
	2016	5	1	0	0	0	0	6
	2017	6	2	0	0	0	1	7
WA	2015	160	3	0	0	0	4	159
	2016	159	4	0	0	0	5	158
	2017	158	5	0	0	0	1	162
MX	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1

Table No. 4: Status of Company-Owned Outlets
For years 2015 to 2017

There are no company owned outlets.

Table No. 5: Projected Openings as of December 31, 2017

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
AZ	0	1	0
CA	0	1	0
CO	0	2	0
HI	0	1	0
ID	1	4	0
MT	0	0	0
NV	0	0	0
OR	0	1	0
UT	0	0	0
WA	0	4	0
MEXICO	0	0	0
TOTAL	**1**	**14**	**0**

A list of the names of all current franchisees, as well as their addresses and telephone numbers of each of their offices, is attached hereto as Exhibit A.

Also attached as Exhibit A is a list of the name, city, state and current business telephone number (or last known home telephone number) of every franchisee who had an office terminated, canceled, not renewed, or which otherwise voluntarily or involuntarily ceased to do business under the Windermere name during the most recently completed fiscal year, or who has not communicated with the franchisor within ten weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the last three fiscal years the following franchisees signed agreements limiting their ability to speak with you about their experience with Windermere: none.

WSC is not aware of any franchisee organizations associated with the Windermere system.

Item 21: Financial Statements

See attached Exhibit B.

Item 22: Contracts

See attached Exhibit C.

Item 23: Receipts

Receipts are located at the end of the disclosure packet, after all of the exhibits.