

FRANCHISE DISCLOSURE DOCUMENT



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Service Experts franchises provide air conditioning and heating system maintenance, repair, and equipment replacement services, ductwork service, and indoor air quality services ("**HVAC Services**") as well as water heater repair and replacement services ("**Water Heater Services**"), to residential and light commercial customers. Water Heater Services are optional and subject to the franchisor's prior written approval.

The total investment necessary to begin operation of a Service Experts franchise is \$119,900 to \$226,800 if you convert a pre-existing HVAC Services business to a franchise under our conversion program. This includes \$88,400 to \$93,300 that must be paid to the franchisor or one of our affiliates.

The total investment necessary to begin operation of a Service Experts franchise is \$145,650 to \$284,800 if you start the business from scratch. This includes \$88,400 to \$93,300 that must be paid to the franchisor or one of our affiliates.

The total investment necessary to begin operation of a Service Experts franchise under our refranchising program will be the purchase price you negotiate with our affiliate for the existing business you acquire, plus a negotiated amount for a post-closing capital reserve. All of this amount except the capital reserve must be paid to our affiliate, which may or may not provide vendor financing.

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 Matthew Lefler at matthew.lefler@serviceexperts.com.

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: **April 7, 2025, as amended July 10, 2025**

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 and Exhibit G
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 and Exhibit I include 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 "Service Experts" 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 "Service Experts" franchisee?	Item 20 and Exhibit G list 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 E.

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 us by mediation and litigation only in the judicial district in which we have our principal place of business at the time the action is commenced, which is currently Richardson, Texas. Out-of-state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or litigate with us or sue us in Texas than in your own state.
2. Minimum Payments. You must make minimum advertising fund payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. Minimum Performance. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. Operating History: The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. Unregistered Trademark: The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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.

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Item 1 **The Franchisor and Any Parents, Predecessors, and Affiliates**

This disclosure document describes Service Experts franchises. In this disclosure document:

“Franchisor,” “we,” “us,” “our,” and “SEF” refer to Service Experts Franchising LLC, the franchisor.

“You,” “your,” and “Franchisee” refer to the individual or company that enters into a franchise agreement with us.

“Owners” means the person(s) identified in the Franchise Agreement as the owners of the Franchisee and all other persons whom we may subsequently approve to acquire an interest in the franchise.

“Franchised Business” means the Service Experts business that you operate under the Franchise Agreement at and from the Approved Location.

“Franchised Centers” means your Franchised Business plus all other Service Experts franchises then operating.

“Company-Owned Centers” means the Service Experts businesses owned and operated by SEF or its affiliates.

“HVAC Services” has the meaning defined on the cover page of the disclosure document.

“Water Heater Services” has the meaning defined on the cover page of the disclosure document.

“Additional Services” means services other than HVAC Services and Water Heater Services that SEF expressly authorizes you to offer through the Franchised Business. Additional Services could include, but are not limited to, plumbing, electrical, solar, batteries, EV chargers, and other services that SEF’s affiliates provide in other markets.

“Authorized Services” means, collectively, HVAC Services, Water Heater Services, and such Additional Services, if any, as SEF has expressly authorized you to offer.

The Franchisor

The franchisor is Service Experts Franchising LLC. We are a Delaware limited liability company that was organized on October 25th, 2024. Our principal place of business is at 3400 N. Central Expressway, Richardson, Texas 75080. We conduct business only under our legal name. We do not engage in any business activities other than offering Service Experts franchises.

We began offering Service Experts franchises in April 2025. We have never offered franchises in any other line of business.

To the extent we have appointed agents for service of process in other states, they are listed in Exhibit F to this disclosure document.

Our Parent, Predecessor, and Affiliates

The Service Experts home comfort business was founded in 1996, when our affiliate, Service Experts LLC, a Texas limited liability company, was formed. Service Experts LLC's principal place of business is the same as ours. As of the date of this disclosure document, Service Experts LLC operates approximately 80 Company-Owned Centers across 31 states in the United States.

Our ultimate parent company is Brookfield Asset Management ("**Brookfield**"), a publicly listed global investment company headquartered in Toronto, Canada. Brookfield also owns Enercare Home Services ("**Enercare**"), headquartered at 7400 Birchmount Road, Markham, ON, L3R 5VH, Canada. Enercare provides heating, cooling, plumbing, electrical, and water heating and treatment services and other services in Canada through a number of delivery models, including a group of seven franchisees in Ontario which were established in 1999. Enercare is not currently offering any new franchises as of the date of this disclosure document.

Our affiliate, HomeServe North America ("**HomeServe**") is also owned by Brookfield. HomeServe is a home warranty company headquartered at 601 Merritt 7, 6th Floor, Norwalk, CT 06851. HomeServe receives claims from insured homeowners regarding plumbing, water, sewer, electrical, heating, and cooling systems issues, registers the claim, and then turns it over to network contractors or in-house technicians to handle the repair. We intend to implement a referral system with HomeServe under which HomeServe will refer jobs to Service Experts centers (both company-owned and franchised) for a fee. We encourage but will not require your participation in this referral program.

Our affiliate, DomiFi LLC ("**DomiFi**"), offers an equipment leasing program called the "Advantage Program" to customers of the Company-Owned Centers and to customers of more than 400 independent dealers that are authorized to offer the Advantage Program. We require Franchised Centers to offer the Advantage Program to their customers as well; see Item 16 for further details.

Our affiliates, NexScale Solutions LLC and Service Experts LLC, offer goods and services to our franchisees. These entities negotiate agreements with manufacturers, distributors, and service providers for the benefit of Company-Owned Centers and our franchisees. They also may sell products to independent operators who are not affiliated with us and who may compete with our brand.

We do not have any other parents, predecessors or affiliates that must be included in this Item. Other than Enercare, none of our affiliates named above have ever offered franchises in any line of business. Unless otherwise noted, all of the named affiliates have the same address as us.

The Service Experts Franchise

Our franchises offer HVAC Services to residential and light commercial customers. Franchisees also have the option, but are not required, to offer Water Heater Services, subject to our prior written approval. "**Light commercial**" is defined as work performed in a single tenant building of under 10,000 sq. ft. or a connected office space of under 5,000 sq. ft. We offer franchises only to persons and business entities that meet our qualifications and are willing to undertake the investment and effort to own and operate a Service Experts business.

Our current form of Franchise Agreement appears in Exhibit A to this disclosure document. The Franchise Agreement authorizes you to use the trademarks, service marks, trade names, logos, and symbols we designate (the "**Licensed Marks**"). The Franchised Business will operate

according to the know-how, standards, specifications, and operating procedures we and our affiliates have developed for Service Experts businesses (the “**System**”). The distinctive elements of the System include, but are not limited to, the types of services and products offered to customers; our specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing techniques; our sales model; our customer relationship management system and customer service standards; the exterior and interior image and design of service vehicles and business premises; and the accumulated experience reflected in our franchisee training program and instructional materials. We have described our mandatory and recommended specifications, methods, techniques, policies, and procedures for the establishment and operation of Service Experts businesses (the “**System Standards**”) in a set of manuals, handbooks, training materials, electronic files, video or audio recordings, and other media (collectively, the “**Operations Manual**”). If you become a franchisee, we will provide you with electronic access to the Operations Manual. We have the right to change the Operations Manual and the System Standards at any time.

We may authorize you to offer Additional Services besides HVAC Services and Water Heater Services from time to time. Each Additional Service will be offered by means of an addendum in the form attached to the Franchise Agreement in Exhibit A. We may establish reasonable eligibility criteria for franchisees to offer an Additional Service. The Additional Service addendum will include the Licensed Mark(s) designated for the Additional Service and any additional or revised contract terms and conditions for the Additional Service, if you choose to offer it.

If your franchise is for a new Center, we refer to it as a “**Start-Up Franchise**.” If you are converting an existing HVAC Services business into a Franchised Center, we refer to it as a “**Conversion Franchise**.”

You will operate the Franchised Business from a specific street address or site that we have approved for your business office (the “**Approved Location**”). You must provide the services of the Franchised Business solely from the Approved Location and from service vehicles clearly branded as Service Experts vehicles. For a Start-Up Franchise, the Approved Location can be your home for the first 6 months of operation.

Conversion Franchises. For a Conversion Franchise, some of the terms of the standard Franchise Agreement do not apply, because the business is already open and operating. If you sign a Franchise Agreement for a Conversion Franchise, you will also sign an addendum to the Franchise Agreement that deletes or modifies the inapplicable terms (the “**Conversion Addendum**”). The current form of Conversion Addendum appears in Exhibit A to this disclosure document following the Franchise Agreement.

Refranchising program. We and our affiliate have a program under which our affiliate will sell selected Company-Owned Centers to qualified buyers for operation as a franchise. If you purchase a Company-Owned Center from our affiliate for operation as a Franchised Center, we refer to it as a “**Refranchise**.” The form of Asset Purchase Agreement for the sale of a Company-Owned Center appears in Exhibit B to this disclosure document. You and our affiliate may also sign a Letter of Intent before signing the Asset Purchase Agreement; the form of the Letter of Intent is also in Exhibit B. Because some of the terms of the standard Franchise Agreement do not apply to a business that is already open and operating, you will also sign an addendum to the Franchise Agreement that deletes or modifies the inapplicable terms (the “**Refranchise Addendum**”). The form of Refranchise Addendum is also in Exhibit B. Finally, you will also sign a Transition Services Agreement with our affiliate, under which you will purchase certain services

from our affiliate to preserve business continuity for a time period to be agreed upon between you and us. The Transition Services Agreement is also in Exhibit B.

As noted in the Asset Purchase Agreement, you will also sign other documents in connection with closing on the purchase of a Company-Owned Center, such as a lease assignment or sublease and a bill of sale for tangible assets. These documents may vary from transaction to transaction.

Industry-Specific Regulations

Our franchisees are subject to HVAC licensing laws, which vary by state and sometimes by county or municipality. You may need other specific types of licenses required by the jurisdictions in which you will operate. Check with your local licensing board, as well as with an attorney, to learn about specific industry and contractor laws and regulations applicable to your business. You are solely responsible for obtaining and maintaining all required licenses for the operation of your Franchised Business.

Market and Competition

The market for HVAC Services is well established and very competitive. The primary market for HVAC Services is comprised of homeowners who own a single-family residence with central air conditioning and heating. Another market is made up of homeowners whose residences do not yet have central air conditioning and heating. Service and replacement sales are seasonal and vary according to temperature fluctuations, with a higher volume of sales being driven by hotter and more extreme climates. Your competitors will include other national as well as regional and local companies or individuals providing similar services. You may also compete with large national home centers and retailers, like Home Depot® and Lowe's®.

Item 2

Business Experience

Listed below are the officers of Service Experts Franchising, LLC and the officers and employees of our affiliate, Service Experts LLC, who have management responsibility relating to the sale or operation of the franchises offered in this disclosure document. Unless otherwise noted, all employment was in Texas.

Michael Lee: Chief Financial Officer

Mr. Lee has been our Chief Financial Officer since October 2024. He has also been the Chief Financial Officer for our affiliate, Service Experts LLC, since December 2021. From March 2020 to November 2021, he was Director of Finance for Enercare.

Eric Griggs: Vice President, General Counsel of Service Experts LLC

Mr. Griggs has been Vice President, General Counsel for our affiliate, Service Experts LLC, since June 2025. From February 2025 to June 2025, he was Assistant General Counsel for Service Experts LLC. From May 2022 to February 2025, he was Senior Legal Counsel for Service Experts LLC. From March 2020 to May 2022, he was Legal Counsel for The Reynolds and Reynolds Company, a software development company.

Matthew Lefler: Vice President of Franchising Operations

Mr. Lefler has been the Vice President of Franchising Operations of our affiliate, Service Experts LLC, since March 2025. From October 2024 to March 2025, he was Regional Director of Operations for Service Minds – Benjamin Franklin Plumbing. From September 2023 to October 2024, he was a General Systems, Marketing, and Training Manager for Mr. Rooter Plumbing of NW Florida. From January 2022 to August 2023, he was Vice President of Operations for Neighborly Brands – Mr. Rooter Plumbing. From June 2021 to January 2022, he was Director of Training for Neighborly Brands – Mr. Rooter Plumbing. From October 2017 to June 2021, he was a Franchise Business Coach for Neighborly Brands – Mr. Rooter Plumbing.

Travis Arnesen: Vice President of Marketing of Service Experts LLC

Mr. Arnesen has been the Vice President of Marketing for our affiliate, Service Experts LLC, since January 2025. From March 2020 to January 2025, he was Senior Manager of Brand Marketing for Harbor Freight Tools.

Michael Ashworth: Vice President of Procurement of Service Experts LLC

Mr. Ashworth has been the Vice President of Procurement for our affiliate, Service Experts LLC, since January 2025. From September 2021 to January 2025, he was Director of Sourcing for McKesson Corp. From November 2019 to September 2021, he was Global Sourcing Manager for Flowserve.

Item 3

Litigation

No litigation is required to be disclosed in this Item.

Item 4

Bankruptcy

No bankruptcy is required to be disclosed in this Item.

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The initial franchise fee for a Start-Up Franchise or Conversion Franchise is \$59,900 for a territory containing up to 60,000 single family households (“SFHs”). If we agree on a territory containing more than 60,000 single family households, we may increase the franchise fee by \$1 for each SFH above 60,000.

The initial franchise fee for a Refranchise is included in the purchase price you pay our affiliate for the Company-Owned Center.

In our discretion, we may offer financing to Conversion franchisees for the initial franchise fee, as described in Item 10. For Refranchises, our affiliate may offer financing for the purchase price, also described in Item 10. Any portion of the initial franchise fee not financed is payable in full when you sign the Franchise Agreement. For a Refranchise, you will sign a Franchise Agreement for the acquired Company-Owned Center at the closing of the transaction.

Multi-Territory Discount. We offer a discount on the combined initial franchise fees if you license a geographic area consisting of multiple territories when you sign your first franchise agreement with us. The combined initial franchise fees are as follows:

2 territories	\$109,900
3 territories	\$154,900
4 territories	\$194,900

These amounts assume standard territories containing 60,000 single family households. If any of the territories licensed contains more than 60,000 single family households, we may increase the combined franchise fee by \$1 for each SFH above 60,000 in that territory. The multi-territory discount on your initial transaction does not apply to any additional franchises you later purchase from us in separate transactions.

Military Discount. If you are an honorably discharged veteran of the American or Canadian armed forces and you are purchasing your first Service Experts franchise, we will reduce the initial franchise fee for your first territory by 10%. We may require documentation of your honorable discharge. This discount does not apply to any additional territories you license at the same time or to any subsequent franchises you purchase from us.

First Responder Discount. If you are a law enforcement officer, firefighter, doctor, nurse, paramedic, or emergency medical technician and you are purchasing your first Service Experts franchise, we will reduce the initial franchise fee for your first territory by 10%. To qualify for this discount, the Franchised Business must be at least 50% owned by an individual whose occupation is described above. This discount does not apply to any additional territories you license at the same time or to any subsequent franchises you purchase from us.

Because of the variations described above, the initial franchise fee will not be uniform for all franchisees. In addition to those variations, we may negotiate or waive all or a portion of the initial franchise fee for a particular transaction. In all cases, the amount paid for the initial franchise fee is non-refundable.

Pre-Opening Fees

In addition to the initial franchise fee, you must or may have to pay us the following fees before the Franchised Business opens:

Pre-Opening Training Fee. Before the Franchised Business opens, the Principal Owner, the Key Person (if different from the Principal Owner), and up to two other individuals that we designate must attend and successfully complete the initial training program described in Item 11. You must pay us a fee of \$5,000 for training these individuals. If you request and we agree to accept extra trainees, we may charge you an additional fee as described in Item 6. Payment is due before the training session begins.

Opening Deadline Extension Fee. You must open the Franchised Business to the public by the deadline specified in your Franchise Agreement (the “**Opening Deadline**”). If you request an extension of the Opening Deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to \$1,000 per month of extension.

Pre-opening/Grand Opening Marketing Deposit. You must conduct pre-opening and grand opening marketing for the Franchised Business according to a plan that you will create, subject to our approval. You must spend at least \$15,000 to implement the pre-opening/grand opening marketing plan. We reserve the right to require you to deposit some or all of the required funds with us, to be distributed as necessary to carry out the approved plan.

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Item 6**Other Fees**

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Royalty Fee	For Start-Up Franchises and Refranchises: 6% of Gross Revenue or the applicable Minimum Royalty, whichever is greater. “Minimum Royalty” means the following weekly amounts: Through the 6th full calendar month of operation: \$0 Months 7-18: \$200 plus \$0.0033 per SFH above 60,000 Month 19 and thereafter: \$500 plus \$0.0083 per SFH above 60,000 For Conversion Franchises: Year 1 - 2% of Gross Revenue or the applicable Minimum Royalty, whichever is greater Year 2 - 4% of Gross Revenue or the applicable Minimum Royalty, whichever is greater Year 3 and thereafter - 6% of Gross Revenue or the applicable Minimum Royalty, whichever is greater	Weekly, unless we designate a different period	See <u>Note 3</u> for the definition of “Gross Revenue.” The applicable Minimum Royalty is determined by measuring from the “Original Opening Date” of the Franchised Business, which means the date on which you or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. “SFH” means the number of single family households in the Territory when you sign the Franchise Agreement. We may negotiate a temporary reduction of the royalty rate on a case-by-case basis for Franchised Centers acquired from our affiliate under the Refranchising program. In addition, we may establish policies to rebate a portion of the royalty to all Franchised Centers for certain types of customer transactions. We may change or revoke these policies at any time in our sole discretion.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Brand Fund Contribution	Up to 2% of Gross Revenue (currently 1%)	Same as Royalty Fee	The purpose of the Brand Fund is to support general development and recognition of the Service Experts brand.
Brand Fund Materials	Our costs	Within 30 days after invoice	Payable only if we reproduce or customize Brand Fund materials for you at your request. At your request, we will provide an estimate of the cost before we begin the work.
Local Marketing	The greater of 6% of Gross Revenue or the LM Annual Minimum. The “LM Annual Minimum” is \$0.53 per SFH in the Territory when you sign the Franchise Agreement (but not less than \$32,000).	Annually	The amount shown is the required minimum; we encourage you to spend more (we recommend at least 8% of Gross Revenue, and potentially more in the initial years of operation). Local marketing may be payable to us, an affiliate, directly to vendors, or a combination.
Technology Fees	\$500 per month for website, 3 seats for Tovuti online learning platform, and general technology support \$45 per month per Office 365 user \$0.55 per survey for NPS management system	Monthly	The Technology Fees are paid to us. The current NPS management system vendor is Medallia. Medallia bills us centrally and we collect payment from franchisees. We can revise the Technology Fees at any time on reasonable notice. Increases will not exceed 10% of the amount in effect before the increase, except to the extent vendors increase their charges to us by more than 10%. See <u>Note 4</u> for further details.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Additional Training	\$500 per day per trainer, plus the reasonable travel, meal, and lodging expenses of our training personnel	Within 30 days after invoice	We may charge a training fee: (a) for additional trainees that you request in excess of the maximum number we designate for a training program; (b) if we require remedial training as a result of your failure to comply with our System Standards; (c) for re-training persons who are repeating a training program, or their substitutes; and (d) for training programs that we make optional for franchisees.
Conferences and Meetings	Reasonable registration fee, not to exceed \$600 per attendee Non-attendance fee of \$1,000 if your Key Person does not attend a required conference.	Within 30 days after invoice	In addition to the registration fee, you will bear all travel and accommodation costs in attending. Attendance at the annual Service Experts Franchise conference is required.
Service Deficiency	Our actual costs	Within 30 days after invoice	Payable if we receive a customer complaint about services you performed, we determine that there is merit to the complaint, and we elect to either re-perform the services to the customer's satisfaction or reimburse the customer.
Relocation Fee	\$1,000 plus the costs and expenses that we reasonably expect to incur in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site.	When you apply to relocate the Approved Location	Does not apply to a Start-Up Franchise that moves from a home office to a commercial location.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Transfer Fee	50% of initial franchise fee then charged for a territory the size of the one being transferred, if the new owner is new to the Service Experts brand. 30% of initial franchisee fee then charged for a territory the size of the one being transferred, if the new owner is an existing Service Experts franchise owner. If SEF finds you the buyer, in addition to the transfer fee, you will pay SEF the greater of: (a) 3% of the total purchase price for the Franchised Business; or (b) our actual costs to identify the prospective purchaser. See <u>Note 3</u>.	At closing of transfer	Payable if you or an Owner proposes to sell the business assets of the Franchised Business or an ownership interest that results in a change of control of the Franchisee. If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer.
Change of Ownership Fee	Greater of \$2,500 or our actual costs in discussing, documenting, and finalizing the transfer arrangements	With request for approval of change of ownership	Payable if you or an Owner proposes to modify ownership of the legal entity in a way that would not result in a change of control of Franchisee or the Franchised Business.
Renewal Fee	10% of Franchise Fee then charged for a territory the size of the one being renewed	When you sign successor Franchise Agreement	When your agreement term ends, you will have the option to continue the franchise relationship with us, subject to certain conditions.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Insurance Procurement	Actual cost of insurance premiums plus our reasonable expenses	Within 5 days after you receive our invoice	Payable only if you fail to maintain the required insurance and we exercise our right to obtain insurance coverage on your behalf.
Vendor Review Costs	Our actual costs, including the reasonable travel, meal, and lodging expenses of our vendor review personnel	Within 30 days after invoice	Payable only if you ask us to evaluate a potential vendor; payable whether or not we approve the vendor. Please see Item 8.
Interest on Overdue Payments	12% per annum or the maximum rate permitted by applicable law, whichever is less	With payment of overdue amount	Payable only if you owe us any amounts that are past due. Interest is calculated from the date payment was originally due until it was actually paid.
Late Fee	\$100 for second occurrence of payment more than 30 days past due; \$200 for third occurrence; \$300 for each subsequent occurrence	With payment of overdue amount or submission of late report	We can charge a late fee to compensate us for our administrative costs incurred in enforcing your obligations to pay us and to submit required reports to us.
Management Fee	Commercially reasonable amount, not to exceed 10% of Gross Revenue	Monthly	Payable only if: (a) the Key Person (see Item 15) dies or is incapacitated and we elect to manage the Franchised Business pending transfer of his or her interest; or (b) the Key Person is arrested for or formally charged with a serious criminal offense and we take over operation of the Franchised Business pending final disposition of the charges.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Step In Fee	Up to \$500 per day, plus our costs and overhead	As invoiced	If you are in default under your Franchise Agreement, we have the right to step in and assume temporary management of the Franchised Business until we determine the default has been cured. We may charge you a fee for these services.
Insufficient Funds Fee	\$250 or the amount the bank charges us due to the insufficient funds, whichever is greater.	Upon demand	Payable if an electronic funds transfer payment request is returned due to insufficient funds.
Indemnity for Tax Withholding	Amount of any penalties, interest, and expenses we incur	Within 30 days after invoice	Payable only if you are obligated by law to withhold taxes on any payments to us and you fail to do so.
Indemnification	Our actual losses, costs, and expenses	Within 30 days after invoice	You must reimburse us if we incur any damages, losses, or expenses, including reasonable attorneys' fees and other costs, as a result of claims arising from the operation of your Franchised Business.
Costs and Attorneys' Fees	Our actual costs, including attorney's fees	Within 30 days after invoice	Payable if we incur expenses to deal with your default under the Franchise Agreement, to enforce the terms of the Franchise Agreement, or to defend a claim you and/or the Owners assert against us on which we substantially prevail in court or arbitration.
Audit Costs	Our actual costs of the examination or audit, including travel and lodging and professional fees	Within 30 days after invoice	Payable only if: (a) you did not submit Gross Revenue statements; (b) you did not keep full books and records; or (c) the total Gross Revenue you reported for any three consecutive months is more than 2% below the audited Gross Revenue.

Type of Fee (Notes 1 and 2)	Amount	Due Date	Remarks
Liquidated Damages	Your average monthly Royalty Fees and Brand Fund contributions in the year preceding termination, multiplied by 24 or the number of months remaining in the Agreement term, whichever is less.	Upon request	You must pay this amount to compensate us for our lost future royalties and Brand Fund contributions if we terminate the Franchise Agreement as a result of your default or if you abandon the Franchised Business.
De-identification Fee	Our actual costs	Upon demand	If you fail to de-identify your Franchised Business following the termination or expiration of the Franchise Agreement, we may do so on your behalf. You are required to reimburse us for any costs we incur.

Notes to Item 6 table:

1. Unless otherwise specified, all fees are payable to us, uniformly applied to new Service Experts franchisees, and non-refundable. However, in instances that we consider appropriate, we may reduce or waive fees for one or more franchisees. For any amounts payable to us and our affiliates, you must use the payment method(s) that we designate from time to time. We currently require payment by Automated Clearing House (ACH) or electronic funds transfer; you must designate an account at a commercial bank of your choice at the time of signing your Franchise Agreement and furnish the bank with authorizations at the time of signing your Franchise Agreement to permit us to make withdrawals from that account.
2. We have the right to adjust all fixed dollar amounts in the Table annually for inflation using the U.S. Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("**BLS**"). If the BLS no longer publishes this index, then we will designate a reasonable substitute measure.
3. "**Gross Revenue**" means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter, or other value and regardless of collection in the case of credit, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes revenue from insurance and government programs and revenue from services performed using any portion of the System, the Licensed Marks (such as service vehicles, invoices, and uniforms bearing the Licensed Marks), the Confidential Information, any employees of the Franchised Business, or the telephone number of the Franchised Business (whether or not the products or services were approved by us). Your Gross Revenue will not be reduced on account of any payments

you make to subcontractors or any fees or commissions you pay to third parties who refer customers.

Gross Revenue does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from Gross Revenue as circumstances, business practices, and technology change.

4. You must pay us fees to support development and operation of websites, email accounts, mobile applications, social media, software, databases, portals, help desks, and other technology and communications channels. The specific services and apps and the applicable fees will vary over time. You will pay fees for other required technology systems directly to the vendors (see Item 8).

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Item 7**Estimated Initial Investment**

This Item contains two separate tables estimating the initial investment for a Conversion Franchise and for a Start-Up Franchise.

TABLE 1
YOUR ESTIMATED INITIAL INVESTMENT
FOR A CONVERSION FRANCHISE ⁽¹⁾

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Franchise Fee ⁽²⁾	\$59,900	\$59,900	Lump sum or financed	On signing of Franchise Agreement	Us
Leasehold Improvements ⁽³⁾	\$0	\$10,000	As arranged	As incurred	Contractor or Landlord
Security/Utility Deposits ⁽⁴⁾	\$0	\$0	As arranged	As arranged	Utilities, Approved Vendors
Information Technology Systems ⁽⁵⁾	\$8,500	\$13,400	As arranged	As incurred	Vendors or Us
Office Furniture and Equipment ⁽⁶⁾	\$0	\$5,000	As arranged	As incurred	Vendors
Machinery, Tools, and Equipment ⁽⁷⁾	\$0	\$12,500	As arranged	As incurred	Vendors
Pre-Opening Marketing Expense	\$15,000	\$15,000	As arranged	As incurred	Vendors or Us
Vehicles and Vehicle signage ⁽⁸⁾	\$8,000	\$40,000	Lump sum or Installments	As incurred or periodically	Vendors
Signage – Interior and Exterior ⁽⁹⁾	\$2,500	\$15,000	As arranged	As incurred	Vendors

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Training Fee	\$5,000	\$5,000	Lump Sum	When training begins	Us
Travel Expenses for Initial Training ⁽¹⁰⁾	\$4,000	\$6,000	As arranged	As incurred	Hotels, restaurants, and airlines
Initial Inventory ⁽¹¹⁾	\$0	\$10,000	Lump sum	Before opening	Vendors
Business Licenses ⁽¹²⁾	\$0	\$0	As incurred	As incurred	Government agencies, providers
Professional Fees ⁽¹³⁾	\$2,000	\$5,000	As arranged	As incurred	Legal, Accounting, or Business Advisors
Additional Funds – three months ⁽¹⁴⁾	\$15,000	\$30,000	As arranged	As incurred	Employees, suppliers, additional marketing, and utilities
TOTALS	\$119,900	\$226,800			

Notes:

1. This table estimates the costs you will incur to convert an existing HVAC Services business into a Franchised Center (a “**Conversion Franchise**”). Actual costs will depend on your number of vehicles, number of employees, the physical size and location of your territory, local signage codes, local advertising costs, and other factors. You may have already incurred a number of the estimated initial investment costs in developing your existing HVAC Services business, and therefore the low end of the range in the table could be \$0 for those costs. These estimates do not include any amount for potential increases in tariffs above the tariff levels that were in effect as of the date of this disclosure document. None of the expenses in the table are refundable, except possibly certain deposits and pre-paid expenses paid to third parties.
2. The Initial Franchise Fee is discussed in Item 5.
3. Your business premises must be in good condition when the business converts to a Franchised Center. The high end of the range in the table assumes you incur some cost

to improve the condition of the premises. The table assumes there is an existing lease for the business location, so no up-front rent cost is included.

4. The table assumes that no new security deposits or utility deposits will be necessary for a Conversion Franchise because the business is already operating.
5. This row assumes you need to purchase a computer and related devices to meet our technology requirements when the business converts. The low end of the range assumes that you have none of the necessary equipment. The high end estimate is for 5 people (2 office workers and 3 technicians) for 1 network appliance @ \$4,000, 2 laptops @ \$1,200, 3 iPads @ \$1,000, and 1 setup fee @ \$4,000. The actual cost will be higher for facilities that have higher staffing. Please see Item 8 and Item 11 for further details on our technology and software requirements.
6. You may need to obtain desks, shelving, seating, copy machines, and other office furniture and equipment. The low end of the range assumes that you already have the necessary items.
7. You will need to equip your vehicles with machinery, tools, and other service equipment. The high end of the range is based on the required equipment for a Start-Up Franchise. The low end of the range assumes that you already have the necessary equipment.
8. You must own, lease, or buy at least two vehicles (one service vehicle and one installation vehicle) that meet the requirements in the Operations Manual. The low end of the range assumes that you already own two suitable vehicles; the high end of the range assumes you have one vehicle but that you have to lease an additional vehicle. The vehicles must be able to accommodate the basic inventory list, including shelving. Only specific vehicle designs are allowed. We have relationships with vendors who can lease approved vehicles and signs at competitive prices. Franchisees with a larger territory or multiple territories may require additional vehicles. You must paint or wrap your vehicles and add Service Experts signage. You must purchase artwork for the vehicle signage from an approved vendor.
9. You must identify your office with approved signage and artwork displaying the Licensed Marks.
10. The Principal Owner, the Key Person (if different from the Principal Owner), and up to two additional individuals we designate must complete our Training Program in Richardson, Texas. The estimate is for the travel expenses, lodging, and meals of two persons for up to four weeks. Your travel expenses and living costs will vary depending on your point of origin, method of travel, class of accommodation, and choice of restaurants, local transportation, etc. Please see Item 11 for further details on training.
11. You must have an opening inventory of supplies for your service vehicles. The low end of the range assumes you already have the necessary inventory.
12. The table assumes that no new license or permits will be necessary for a Conversion Franchise because the business is already operating.
13. This estimate is for the cost of accountants and/or legal counsel to assist you in the conversion of your existing HVAC Services business to a Franchised Center.

14. This is an estimate of additional funds you may need during the initial period of operation of the Franchised Business, which we define as three months from opening. Because we do not have any franchises as of the date of this disclosure document, our estimates are based on our affiliate's experience in opening and operating the Company-Owned Centers.

TABLE 2
YOUR ESTIMATED INITIAL INVESTMENT
FOR A START-UP FRANCHISE ⁽¹⁾

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Franchise Fee ⁽²⁾	\$59,900	\$59,900	Lump sum or financed	On signing of Franchise Agreement	Us
Rent ⁽³⁾	\$0	\$12,000	As arranged	Monthly	Landlord
Leasehold Improvements ⁽⁴⁾	\$0	\$20,000	As arranged	As incurred	Contractor or Landlord
Security/Utility Deposits ⁽⁵⁾	\$500	\$2,000	As arranged	As arranged	Lender, Approved Vendors
Information Technology Systems ⁽⁶⁾	\$8,500	\$13,400	As arranged	As incurred	Vendors or Us
Office Furniture and Equipment ⁽⁷⁾	\$1,500	\$10,000	As arranged	As incurred	Vendors
Machinery, Tools, and Equipment ⁽⁸⁾	\$6,500	\$12,500	As arranged	As incurred	Vendors
Vehicles and Vehicle signage ⁽⁹⁾	\$6,000	\$15,000	Lump sum or installments	As incurred or periodically	Vendors
Signage – Interior and Exterior ⁽¹⁰⁾	\$2,500	\$15,000	As arranged	As incurred	Vendors

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Training Fee	\$5,000	\$5,000	Lump sum	When training begins	Us
Travel Expenses for Initial Training ⁽¹¹⁾	\$4,000	\$6,000	As arranged	As incurred	Hotels, restaurants, and airlines
Initial Inventory ⁽¹²⁾	\$0	\$10,000	Lump sum	Before opening	Vendors
Business Insurance ⁽¹³⁾	\$4,000	\$9,000	As arranged	As incurred	Vendors
Business Licenses ⁽¹⁴⁾	\$250	\$5,000	As incurred	As incurred	Government agencies, providers
Pre-Opening Marketing Expenses	\$15,000	\$15,000	As arranged	As incurred	Vendors or Us
Professional Fees ⁽¹⁵⁾	\$2,000	\$5,000	As arranged	As incurred	Legal, Accounting, or Business Advisors
Additional Funds – (three months) ⁽¹⁶⁾	\$30,000	\$70,000	As arranged	As incurred	Employees, suppliers, additional marketing, and utilities
TOTALS	\$145,650	\$284,800			

Notes:

1. This table estimates the costs you will incur to develop and open a brand-new Franchised Business. Actual costs for a Start-Up Franchise will depend on the number of vehicles, the number of employees, the physical size and location of your territory, local signage codes, local advertising costs, the going rate for real estate rentals, utilities, market conditions, and other factors. These estimates do not include any amount for potential increases in tariffs above the tariff levels that were in effect as of the date of this disclosure document. None of the estimated expenses in the table are refundable, except possibly certain deposits and pre-paid expenses paid to third parties.

2. See Item 5. The table assumes that you license a territory with 60,000 single family households. If you license a territory with more than 60,000 single family households, you will pay us \$1 for each additional single family household in the territory.
3. The low end of the range assumes you initially operate the Franchised Business from your home, and the high end assumes you lease commercial space. The high estimate is for a location with approximately 2,000 to 3,000 rentable square feet. The cost per square foot of commercial space varies based on the location, type of property, and market conditions affecting commercial property. The high estimate includes three months of rent; however, your landlord may also require you to provide a security deposit of one month's or two months' rent. If you decide to purchase rather than lease the real estate, your initial investment cost may be substantially higher. If you already own the real estate to be used, the cost would be \$0, although there may be property taxes payable.
4. The low end of the range assumes you initially operate the Franchised Business from your home, and the high end assumes you lease commercial space. For commercial space, the business premises must be in new or like-new condition when the Franchised Business opens. The cost will vary depending on the condition of the premises when you start work on them.
5. The figure is the estimated cost of telephone and utility deposits.
6. The table assumes you purchase all of the computer and related devices needed to meet our technology requirements and run the ServiceTitan Platform (as defined in Item 8). The high end estimate is for 5 people (2 office workers and 3 technicians) for 1 network appliance @ \$4,000, 2 laptops @ \$1,200, 3 iPads @ \$1,000, and 1 setup fee @ \$4,000. If you have more than 5 staff, the actual cost may be higher. Please see Item 8 and Item 11 for further details on our technology and software requirements.
7. You will need to obtain desks, shelving, seating, copy machines, and other office furniture and equipment.
8. You will need to equip your vehicles with machinery, tools, and other equipment.
9. You must own, lease, or buy at least two vehicles (one service vehicle and one installation vehicle) that meet the requirements in the Operations Manual. The low end of the range in the table assumes that you lease two vehicles and cover the up-front lease costs and the first month's lease payment; the high end of the range in the table assumes you lease five vehicles. If you choose to purchase, truck costs may range from \$30,000 to \$60,000 each and van costs may range from \$20,000 to \$45,000 each. The vehicles must be able to accommodate the basic inventory list, including shelving. Only specific vehicle designs are allowed. We have approved vendors who can lease approved vehicles and signs at competitive prices. If your territory is larger geographically or in single family households than our standard, you may need additional vehicles. You must paint or wrap your vehicles and add signage. We estimate this cost to be approximately \$5,000 per vehicle. You must purchase artwork for vehicle signage bearing the Licensed Marks from an approved vendor.
10. You must identify your office with approved signage and artwork displaying the Licensed Marks.

11. The Principal Owner, the Key Person (if different from the Principal Owner), and up to two additional individuals we designate must complete our Training Program in Richardson, Texas, or in another location in the United States that we designate. The estimate is for the travel expenses, lodging, and meals of two persons for up to four weeks. Your travel expenses and living costs will vary depending on your point of origin, method of travel, class of accommodation, and choice of restaurants, local transportation, etc. Please see Item 11 for further details on training.
12. You must purchase an opening inventory of supplies for your vehicles before opening your Franchised Business. Costs will vary according to your market area.
13. Before you open your Franchised Business, you must purchase and maintain the business insurance coverage that we specify in Item 8, including but not limited to general liability, auto (liability), employers liability, workers compensation, and property. Insurance cost will vary based on where your Franchised Business will be located, your prior loss experience including with the insurance carrier, the loss experience of the carrier, and other factors. You should check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums. The table estimates the insurance premium for the first three months. See Item 8 for more information regarding our insurance requirements.
14. You and/or your employees may be required to obtain certain licenses and permits to operate your Franchised Business. The cost of obtaining the required licenses and permits will vary based on your jurisdiction.
15. We recommend that you hire or consult with accountants and/or legal counsel to assist you in acquiring the franchise.
16. This is an estimate of additional funds you may need during the initial period of operation of the Franchised Business, which we define as three months from opening. Because we do not have any franchises as of the date of this disclosure document, our estimates are based on our affiliate's experience in opening and operating Company-Owned Centers. You will need sufficient additional capital to cover ongoing expenses, such as salaries for approximately two employees and yourself, the expense of uniforms and drug and background testing for your employees, additional marketing, and other costs. This estimate depends on many factors, including size of the territory, the timing of hiring your staff, anticipated salaries of those employees, and funds required to service any debt you may have incurred. Actual costs will vary based on your individual circumstances.

For a Refranchise, your initial investment will be the purchase price that you agree to pay for the assets (which may include a component for goodwill and/or going concern value). The purchase price will include the initial franchise fee. In addition, you must deposit funds into an account to provide a post-closing capital reserve for the Franchised Business. We will negotiate the amount of the capital reserve with you, but these funds will remain yours.

Our affiliate may, in its discretion, offer financing for the acquisition of a Company-Owned Center under the Refranchise program. For Conversion Franchises, we may offer financing for the initial franchise fee. Otherwise, we do not offer direct or indirect financing for your initial investment. The

availability and terms of financing from other sources will depend on many factors, including the availability of financing generally, your creditworthiness, and the policies of lending institutions.

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Item 8**Restrictions on Sources of Products and Services**

We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Operations Manual or Franchisee Portal.

We and our affiliates will earn revenue and profits on any sales that we make directly to you. We and our affiliates may receive rebates, licensing fees, administrative fees, commissions, or other benefits from unaffiliated vendors and distributors with respect to their sales of products or services to you or other Service Experts franchisees, whether or not the product or service is presently mentioned in this Item. Except as limited by applicable law, we and our affiliates have the right to retain any payments received from vendors.

The following specific restrictions on your purchasing are in effect as of the issuance date of this disclosure document, but we can impose other restrictions at any time:

Items you must obtain from us or affiliates:

Technology Services. You must obtain certain technology services from or through us, for which you will pay us the Technology Fees described in Item 6. The current services included in the Technology Fees are:

Office 365 E5	Email system and associated client applications for managing email communication.
Website	A CMS based advertising website used to advertise the Franchised Business. SEF manages the franchisee's website.
Tovuti	A business system serving the learning management (training) function of the organization. Three standard seats are included as part of the standard offering (for franchise owner and two trainers). Expanded seats are available as an optional Add-On for an additional fee.
Medallia	Customer survey/engagement system.

You will pay fees for other required technology systems directly to the vendors; see “Technology Systems” below.

Social Media Accounts. If you decide to have an account for the Franchised Business on certain social media channels that we designate (currently including Meta (Facebook/Instagram), LinkedIn, and YouTube, but we may add others), your account must be set up by SEF through a parent/child configuration under which we grant you access to the account. We currently do not charge a set-up fee.

Contracts, Waivers, and Forms. You must use any contracts, warranties, liability waivers, and/or other materials we designate from time to time for use in the Franchised Business. There is no cost or fee to you for using these templates. It is your responsibility to have all such contracts, waivers, and/or other forms reviewed, at your own expense, by an attorney licensed to practice law in the state(s) where you operate the Franchised Business for compliance with all applicable state and local legal requirements.

Branded Items. All items that bear the Licensed Marks must be purchased either from us or from vendors designated or approved by us. This includes signs, advertising, vehicle wraps, uniforms, stationery, and private-labeled materials.

Your purchases from us or our affiliates will be at the prices and on the terms in effect at the time of your purchase.

Items you must source from designated or approved third parties:

We have designated specific vendors or approved vendors for certain items. As of the date of this disclosure document, they include:

Technology Systems. As of the date of this disclosure document, we require you to use the following technology systems in the Franchised Business:

ServiceTitan FSM	A business system used to schedule customer demand, dispatch technicians to customer demand, and deliver field services to meet the customer demand.
ServiceTitan Scheduling Pro	A module of ServiceTitan integrated into your website to allow online appointment booking.
QuickBooks Online Plus	A business system used by small business to serve the accounting functions of an organization.
Intermedia Unite + Contact Center	A business system used by customer service representatives to receive and handle calls or make contact with a customer.

Please see Item 11 for further details. You will pay the above vendors directly. If we specify any other hardware or software systems, you must source them from the designated or approved vendor at your own expense.

Marketing Services. You must use the vendors we designate in the Operations Manual from time to time for the marketing activities listed below:

1. Search Engine Marketing (SEM) & Local Services Ads (LSA)

2. Directories

3. Website (baseline web offering provided by a SEF-designated vendor and cost included in the Technology Fees in Item 6)

Telephone Services. You must use the telephone system we designate in the Operations Manual from time to time for telephone calls to the Franchised Business. We may offer to provide Franchised Centers with an answering service for a fee, but we have no obligation to do so. We reserve the right, on reasonable notice, to require Franchised Centers to use a designated call center vendor, which may be SEF or an affiliate, and for which you must pay a commercially reasonable fee.

Accounting Services. You must use an independent accounting firm we designate to manage the accounting for your Center.

Customer Loyalty Programs. If we set up programs relating to gift cards, electronic money, or loyalty programs, we will designate the vendors that you must use for these programs.

Items that must meet our specifications:

For some products and services, we have not designated a specific source or approved vendors that you must use, but the products and services must meet our specifications. As of the date of this disclosure document, they include:

Insurance. You must obtain and keep in force throughout the term of the Franchise Agreement the types of insurance and the minimum policy limits that we specify for Franchised Businesses. As of the date of this disclosure document, our required and recommended insurance coverage is as follows:

REQUIRED BUSINESS INSURANCE COVERAGE	
Type	Minimum Coverage
Comprehensive General Liability	\$2 million per incident / \$4 million aggregate
Automobile Liability for owned, leased, hired and non-owned vehicles	Limits of liability not less than \$2 million combined single limit.
Employers Liability	\$1 million per incident \$1 million per employee \$1 million policy limit
Workers Compensation	Statutory limit as required in your state.
Property Insurance	All risks property damage coverage for personal/business property located in the franchisee's office facility or while within their vehicles including

REQUIRED BUSINESS INSURANCE COVERAGE	
Type	Minimum Coverage
	business interruption coverage (to the extent applicable).

RECOMMENDED BUSINESS INSURANCE COVERAGE (where applicable and warranted based on your operations)	
Type	Minimum Coverage
Business Interruption	12 months loss of income/business interruption, with no co-insurance clause, and/or Extra Expense/Expediting Expense coverage with a limit of at least \$50,000
Commercial Umbrella Policy	\$10 million excess over all underlying liability coverages per occurrence and \$10 million in the aggregate
Employment Practices Liability	\$1,000,000 policy limit
Cyber Liability/Data Compromise	\$2,000,000 policy limit (if and when we set up a corporate program for this insurance, we may require franchisees to participate and to pay an allocated portion of the cost)
Errors & Omissions (Professional) Liability	\$1,000,000 per claim limit, \$2,000,000 policy aggregate

All required insurance must be in effect before you begin operating. The insurance policy or policies must protect you, us, and our respective past, present, and future officers, directors, owners, employees, servants, representatives, consultants, attorneys, and agents. If you fail to obtain or maintain insurance coverage as required by the Franchise Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in procuring the insurance.

All policies listed above must contain endorsements as we specify. Each insurance policy must be primary and noncontributory and must be issued by an issuer we approve, who must have a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located.

All liability policies must name us as additional insureds (and provide Additional Insured – Grantor of Franchise) and require 30 days' advance written notice to us in the event of cancellation, material change, or non-renewal, except 10 days if for non-payment of premium. A waiver of

subrogation rights against Franchisor, its affiliates, and their successors and assigns must also be provided for the general liability, auto liability, and workers' compensation policies. We can increase the coverage requirements and/or require different or additional kinds of insurance as we deem necessary. You must deliver to us (and maintain on file with us) valid and current certificates of insurance showing that all required insurance is in effect.

Vehicles. You must own, lease, or buy at least two vehicles (one service vehicle and one installation vehicle) that meet the requirements we specify in the Operations Manual. We must approve your vehicle design. We may have approved vendors who can lease approved vehicles at competitive prices. You must paint or wrap your vehicles and add signage and artwork bearing the Licensed Marks from an approved vendor before opening your business.

Payment Processing. You must comply with our policies regarding acceptance of customer payments by credit and/or debit cards, mobile payment systems, bank transfer, and non-bank digital payments programs.

Vendor Approval Process

If we require you to use an approved vendor for a particular item, but you wish to purchase the item from a source that we have not approved, you may submit a written request for approval of the alternative source, unless it is an item for which we have designated a specific vendor. To obtain approval, a proposed vendor must demonstrate the ability to meet our standards and must possess adequate quality controls and capacity to supply your needs promptly and reliably. We will provide the relevant standards and specifications to vendors that wish to become approved vendors, provided that the proposed vendor signs a confidentiality agreement; however, we may refuse to disclose specifications that we deem to be extremely sensitive. At our request, you must submit samples and other information we require to examine, test and determine whether the proposed vendor meets our specifications and quality standards. We may also require that the proposed vendor allow our representatives to inspect its facilities. We may charge vendors a license fee to use our trademarks or other proprietary property. We may also charge vendors a rebate for participation in our purchasing program.

We have no obligation to approve any specific vendor or any minimum number of vendors for any item, and any proposed vendor relationship must not jeopardize the availability of any special pricing or other benefits offered by existing vendors based on system-wide purchases. We may require you to pay a fee to cover our costs of reviewing a proposed vendor, which you must pay whether or not we approve the vendor. We generally will give you written notice of approval or disapproval of the proposed vendor within 30 days after your request (or completion of evaluation and testing, if required). You may not sell or offer for sale any products or services of the proposed vendor until you receive our written approval.

We have the right to revoke approval of particular vendors if we determine that their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved vendor. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

* * *

Our affiliate, NexScale Solutions LLC, will negotiate contracts with providers of goods and services, including but not limited to insurance, financing, fuel cards, and fleet programs, both for

our franchisees and for independent HVAC and plumbing operators who participate in the program for a fee. NexScale Solutions LLC will not negotiate purchase agreements on behalf of individual members. Terms of purchase agreements may vary based on any number of factors and prices may change from time to time.

Other than as described in this Item, we do not currently negotiate purchasing arrangements with vendors on behalf of our franchisees, but we reserve the right to do so, including pricing terms. Our ability to negotiate and maintain arrangements with vendors may depend on the participation of as many Franchised Centers as possible. Accordingly, if we name a specific vendor for a product or service, you must obtain the product or service from that designated vendor. You must comply with the terms and conditions included in the contract with a specific vendor and, if applicable, through the purchasing arrangements and/or programs that we require.

As noted above in this Item, vendors may make payments to us or our affiliates based on franchisees' use of the vendors. As of the date of this disclosure document, we and our affiliates receive rebates, administrative fees, commissions, or other compensation from some vendors ranging from 1% - 25%. Vendor payments to us and our affiliates may include participation fees per franchise, rebates based on actual purchases, marketing contributions for joint promotion of the vendor's products with our brand, and/or sponsorship fees for conferences and other events. We will use any restricted funds in the manner agreed with the vendor. Except as limited by applicable law or by agreement with the vendor, we have the right to pass through, share, or retain all or a portion of any rebates, commissions, discounts, or beneficial pricing that we obtain from vendors. We may use these monies to, among other things, recapture costs related to maintaining the vendor program, negotiating designated vendor arrangements, facilitating orders, and making a profit.

Our franchise program is new and we do not have any Service Experts franchisees as of the issuance date of this disclosure document. Accordingly, for the fiscal year ended December 31, 2024, we and our affiliates received no revenue from purchases by Service Experts franchisees, either in the form of revenue from direct sales or as rebates or discounts received from approved vendors based on their sales to our franchisees.

As of the date of this disclosure document, none of our officers owns an interest in any unaffiliated vendors that sell products or services to our franchisees.

We estimate that for a Start-Up Franchise, your required purchases and leases from us and approved vendors in establishing the Franchised Business will be 50% to 65% of your total purchases and leases in establishing the Franchised Business. We estimate that your required purchases and leases from us and approved vendors in operating the Franchised Business will be 25% to 40% of your total all purchases and leases in operating the Franchised Business.

There are no purchasing cooperatives or distribution cooperatives in our franchise system as of the date of this disclosure document. We do not provide material benefits (such as special renewal terms or rights to additional franchises) to franchisees based on their purchase of particular products or services or use of particular vendors.

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Item 9**Franchisee's Obligations**

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.2 and 6.27	11
b. Pre-opening purchases/leases	Sections 4, 7.3, Data Sheet (Appendix A)	7, 8
c. Site development and other pre-opening requirements	Section 4	8, 11
d. Initial and ongoing training	Section 5	11
e. Opening	Sections 4.6, 4.7, 4.8	11
f. Fees	Sections 4.7, 4.8, 5.4, 5.7, 7.2, 7.3, 7.4, 7.5, 8, 9.6, 13.2, 13.3, 13.4, 14.1, 14.5, 14.6, 18.1, Data Sheet (Appendix A)	5, 6, 7, 8, 11
g. Compliance with standards and policies/Operating Manual	Sections 6.1 and 6.2	11, 14
h. Trademarks and proprietary information	Sections 11 and 12	13, 14
i. Restrictions on products/services offered	Section 6.5	8, 16
j. Warranty and customer service requirements	Sections 6.1, 6.15, 6.20, 6.21, 6.23, 6.24, 8.5	16
k. Territorial development and sales quotas	Section 6.22	12
l. Ongoing product/service purchases	Sections 6.1, 6.11, 6.12, 6.15, 6.20	8
m. Maintenance, appearance, and remodeling requirements	Sections 6.18, 6.26, 18.1.10	11

Obligation	Section in Franchise Agreement	Disclosure Document Item
n. Insurance	Section 10	7, 8
o. Marketing	Sections 4.5, 7, 8.3, and Data Sheet (Appendix A)	6, 7, 11
p. Indemnification	Section 19	6
q. Owner's participation/management/staffing	Sections 1.15, 5.7, 6.3, and 6.25	15
r. Records/reports	Sections 6.23, 9	6
s. Inspection/audits	Sections 4.4, 6.18, 6.23, 11.3	6, 11
t. Transfer	Section 13	17
u. Renewal	Section 18	17
v. Post-termination obligations	Section 15	17
w. Non-competition covenants	Section 16	17
x. Dispute resolution	Section 22	17
y. Taxes/permits	Sections 4.3 and 8.10	1
z. Other: Personal Guarantee	Attached to Franchise Agreement	15

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Item 10**Financing**

As noted in Item 7, our affiliate, in its discretion, may offer financing for the acquisition of a Company-Owned Center under the Refranchise program. For Conversion Franchises, we may offer financing for the initial franchise fee. The terms of each type of financing are summarized below.

Refranchise Program - Acquisition Financing. The chart below summarizes the typical financing terms that our affiliate may offer for the acquisition of a Company-Owned Center under the Refranchise program:

Item Financed	Amount Financed	Term	Interest Rate	Prepayment	Personal Guaranties Required	Security Required	Potential Liability on Default	Loss of Legal Rights on Default
Acquired assets	Up to 100% of purchase price	Up to 10 years	At least 8% per annum	Allowed without penalty	No	Yes, secured by assets of Franchised Business and the Franchised Business itself	Acceleration of entire amount due, court costs, and attorney's fees for collection, cross-default under Franchise Agreement	You waive presentment, demand, notice of nonpayment, notice of intent to accelerate, notice of acceleration, diligence in collection, and all other notices and acts to which borrower might otherwise be entitled under any applicable law; you consent to jurisdiction of and venue in Texas courts.

To finance the acquisition of a Company-Owned Center, you must sign the applicable form of Promissory Note and Security Agreement in Exhibit C to this disclosure document. The Security Agreement grants Service Experts Heating & Air Conditioning LLC a security interest in the assets of the Franchised Business until the Promissory Note is paid in full. The holder of the Promissory Note and Security Agreement may file a UCC financing statement with the appropriate governmental authority to perfect its security interest.

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Initial Franchise Fee. In our discretion, we may permit you to finance the initial franchise fee for a Conversion Franchise. The chart below summarizes the typical financing terms that we expect to offer for the initial franchise fee:

Item Financed	Amount Financed	Term	Interest Rate	Prepayment	Personal Guaranties Required	Security Required	Potential Liability on Default	Loss of Legal Rights on Default
Initial Franchise Fee for Conversion Franchises	Up to 100% of initial franchise fee	Up to 3 years	12% per annum	Allowed without penalty	Yes	No	Acceleration of entire amount due, court costs, and attorney's fees for collection, cross-default under Franchise Agreement	You waive presentment, demand, notice of nonpayment, notice of intent to accelerate, notice of acceleration, diligence in collection, and all other notices and acts to which borrower might otherwise be entitled under any applicable law; you consent to jurisdiction of and venue in Texas courts.

To finance the initial franchise fee for a Conversion Franchise, you must sign the applicable form of Promissory Note in Exhibit D to this disclosure document. If the franchisee is a corporation or other business entity, its owners must sign the Guaranty to the Promissory Note. We may sell, assign, or discount the Promissory Note to a third party. If we sell or assign the Promissory Note, it will not affect our obligation to provide the services to you that are described in the Franchise Agreement, but the third party may be immune under the law to any defenses to payment you may have against us.

Under the cross-default provision of the Franchise Agreement, we have the right to treat a default under the Promissory Note and Guaranty or under the Security Agreement as a default under the Franchise Agreement, and we can terminate the Franchise Agreement if you do not cure the default.

Except as described above, we do not offer direct or indirect financing to franchisees. We will not guarantee your promissory note, lease, or other obligation.

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

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

Pre-Opening Obligations. We are required by the Franchise Agreement to provide certain assistance and services to you before you open the Franchised Business:

- (1) We will provide the Training Program described in this Item to the Principal Owner, the Key Person (if different from the Principal Owner), and up to two other individuals designated. You must pay for your travel and related expenses. *(Franchise Agreement, Section 5.1)*
- (2) We will provide you with electronic access to the Operations Manual. *(Franchise Agreement, Section 6.2)*
- (3) We will set you up with access to one or more websites and/or mobile applications that are open only to Franchised Centers (the "**Franchisee Portal**"), if applicable and available. We may use the Franchisee Portal for communications, training, or other purposes and may require you to use it for reporting or other purposes. *(Franchise Agreement, Section 6.9)*
- (4) We will provide you with information on how to join the ServiceTitan Platform and acquire other required technology. *(Franchise Agreement, Section 6.8)*
- (5) We will help you set up an account with the designated telephone system. *(Franchise Agreement, Section 6.17)*
- (6) We will work with you on creating a pre-opening and grand opening marketing plan for the Franchised Business. *(Franchise Agreement, Section 7.3)*
- (7) We will provide opening support and assistance as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Centers, we will advise you of any additional fee and expected expenses before you commit to the additional support. *(Franchise Agreement, Section 4.9)*

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and services to you during the operation of the Franchised Business:

- (1) We will make available additional required and optional training programs as we deem appropriate. *(Franchise Agreement, Section 5.2)*
- (2) We will develop and maintain the System Standards. *(Franchise Agreement, Section 6.1)*

- (3) We will manage the operation of the Franchisee Portal, if applicable. (*Franchise Agreement, Section 6.9*)
- (4) We will notify you, via the Operations Manual or otherwise, when we establish specifications, require approval of vendors, or designate specific vendors for particular items. (*Franchise Agreement, Section 6.11*)
- (5) We will manage our System Standards assessment program. (*Franchise Agreement, Section 6.23*)
- (6) We will administer the Brand Fund, as described below in this Item, and make available to you any creative materials financed by the Brand Fund. You must pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use. (*Franchise Agreement, Section 7.2*)
- (7) We will review your proposed advertising and promotional plans and materials. (*Franchise Agreement, Section 7.6*)
- (8) We will manage social media accounts, profiles, pages, and registrations that promote the Licensed Marks or the Franchised Business, if we require them to be registered in our name. (*Franchise Agreement, Section 7.11*)
- (9) If we offer a customer warranty and/or satisfaction guarantee to your customers, we will monitor and manage compliance with the warranty/satisfaction guarantee program. (*Franchise Agreement, Section 6.21*)
- (10) We will negotiate and manage Key Account arrangements, as we deem appropriate. (*Franchise Agreement, Section 2.5*)
- (11) We will refer to you without charge any customer leads for Authorized Services that we receive through our website or generate through other marketing activities, provided that we are able to determine that the potential service site is located in your territory. (*Franchise Agreement, Section 7.8*)

Neither the Franchise Agreement nor any other agreement requires us to provide any other assistance or services to you during the operation of the Franchised Business.

Site Selection

If your franchise is a Start-Up Franchise, you can manage the Franchised Business from home for the first 6 months of operation, or as extended by written permission from us. Unless otherwise agreed upon, by the start of the 7th month of operation, you must locate in a commercial space within your territory. Your choice of location is subject to our approval. Although we are not obligated to provide site selection assistance, our current policy is to provide you with our general criteria for site selection and with site selection counseling and assistance as we deem appropriate. We recommend that the site have a dispatching area, reception area, technician/training/break area, restroom, and warehouse space. The site must also comply with local zoning and business requirements, and it is your responsibility to ensure that it meets these and any other applicable requirements. There must be ample parking to accommodate service

vehicles. You may need to relocate to a larger space over time if your business outgrows its current space.

We will try to approve or disapprove your proposed site within 30 days after our visual inspection or review of photographs. If the site is not approved, you must submit alternative site(s). Our approval of the proposed business site only indicates that we believe it falls within our criteria for Franchised Centers.

For a Conversion Franchise or Refranchise, the business location is already established, so there are no site selection obligations and we do not provide site selection assistance.

Typical Time to Opening

If your franchise is a Start-Up Franchise, we estimate that you will open your Franchised Business approximately four months after you sign your Franchise Agreement. If your franchise is a Conversion Franchise, you will be required to begin operating your business as a Service Experts franchise within 30 days of signing your Franchise Agreement. The factors that affect the timing of your opening may include, among other things, licensing laws, zoning laws, procurement and preparation of service vehicles and equipment, remodeling needs, hiring issues, completion of the Training Program, and implementation of your marketing plan. If you do not open the Franchised Business to the public by the opening deadline specified in your Franchise Agreement, we will have the right to terminate the Franchise Agreement.

If you request an extension of the opening deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to \$1,000 per month of extension.

For a Refranchise, there is no delay between signing the Franchise Agreement and opening the Franchised Business.

Training

Before the Franchised Business opens, the Principal Owner, the Key Person (if different from the Principal Owner), and up to two other individuals that we designate must attend and successfully complete our initial training program for new Service Experts franchisees. The initial training program consists of two phases: phase one, which is conducted online through our web-based learning management system ("**Experts University**"), and phase two, which is a franchise performance and development training program conducted in a classroom setting (collectively, the "**Training Program**").

In addition to the training fees described in Item 5 and Item 6, you will have to pay for travel, accommodations, meals, and salaries for yourself and all other trainees who attend. Franchisees generally will complete training 1 to 2 weeks prior to opening the Franchised Business.

The subjects covered in the Training Program are described below.

THE TRAINING PROGRAM

Training	Classroom Training	On the Job Training	Location
LMS – VIRTUAL	Up to 25 hours		Online through Experts University
INITIAL CLASSROOM	Up to 80 hours		Our offices in Richardson, Texas, or other location we approve
ON SITE		Up to 40 hours	Our offices in Richardson, Texas, or other location we approve
TOTALS	UP TO 105 HOURS	UP TO 40 HOURS	

The Training Program must be completed no later than five business days before opening your Franchised Business. We schedule the Training Program as needed for new franchisees, but no more than once per quarter. Timing of training completion can be adjusted at our discretion, with consideration given based on the purchase type (Start-up, Conversion, or Refranchise).

Training materials may include the Operations Manual, videos and presentations, printed materials, and printed workbooks. All training materials that we provide to you remain our property.

Our instructors have an average of approximately 26 years of experience in the HVAC Services industry and over 19 years with our brand.

The individuals that we designate are required to successfully complete the pre-opening training. We alone have the right to judge whether a person has successfully completed the Training Program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We will have the right to terminate the Franchise Agreement if, at any time during the Training Program, we conclude in our sole judgment that the Principal Owner or Key Person does not meet our standards for new Service Experts franchisees. We have the right to vary the duration and content of the Training Program based on the trainee's prior experience in similar businesses.

We may make available other required and optional training programs from time to time. For training that we designate as required, the individuals that we designate must successfully complete the training. We have the right to provide the Training Program in person, by video, via the internet, or by other means, as we determine. The training may be delivered by us, our affiliates, or third parties.

Advertising and Marketing

Pre-opening/Grand Opening. You must conduct pre-opening and grand opening marketing for the Franchised Business according to a plan that you will create, subject to our approval. You must spend at least \$15,000 to implement the pre-opening/grand opening marketing plan. We reserve the right to require you to deposit some or all of the required funds with us, which we will distribute as necessary to carry out the approved plan.

Local Marketing. You must spend the greater of 6% of Gross Revenue or the LM Annual Minimum for local advertising and promotion of the Franchised Business ("**Local Marketing**"). The "LM Annual Minimum" is \$0.53 per SFH in the Territory when you sign the Franchise Agreement (but not less than \$32,000). We have the right to specify that you pay Local Marketing funds to us, our affiliate, third party vendors, or a combination. All Local Marketing must be approved by us as described below under "Approval Requirement."

Local Marketing is in addition to your obligations to the Brand Fund (described below) and the required expenditures for pre-opening marketing. You must be listed in local internet and digital directories, as we designate. At our request, you must provide us with expense statements evidencing compliance with the Local Marketing spend requirements.

We reserve the right to increase the required percentage for Local Marketing if the Franchised Business fails to meet its Minimum Performance Requirements (see Item 12). However, the required percentage will not exceed 12% of Gross Revenue.

If you desire to use your own advertising materials or services, you must obtain our prior approval. It is a material breach of the Franchise Agreement to use other marketing materials or services without our prior written approval (see "**Approval Requirement**" below). You may not advertise outside of your territory without our approval, which approval may be withheld in our sole discretion (see Item 12).

Brand Fund. You must contribute up to 2% of Gross Revenue to a fund to support the general development and recognition of the Service Experts brand (the "**Brand Fund**"). As of the date of this disclosure document, the required contribution is 1% of Gross Revenue, but we can increase it on reasonable notice, subject to the 2% maximum. We will contribute annually on behalf of the Company-Owned Centers the lesser of (a) the total dollar amount contributed by franchisees for the year, or (b) the required contribution percentage for franchises times the Gross Revenue of the Company-Owned Centers branded as Service Experts.

We will have the right to direct all advertising, marketing, public relations, and other activities of the Brand Fund to promote, develop, and enhance the Service Experts brand, with final discretion over strategic direction, creative concepts, the materials and endorsements to be used, and the geographic distribution and media placement. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, direct mail, and media advertising; marketing and sales training; conducting public relations, consumer research, product development, product testing, and test marketing programs; purchasing promotional items; sponsorship of sporting, charitable, or similar events; developing and implementing prototypes for facility design and appearance; fulfillment charges; salaries and expenses of employees of us and our affiliates who work for or on behalf of the Brand Fund; employing advertising agencies, design firms, public relations firms, accounting firms, and

consultants; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

We will make available to you any creative materials financed by the Brand Fund. If you request specific materials to be produced or customized for you, then once you approve the requested materials, you agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

We may develop advertising and promotional materials and displays for the solicitation of franchisees. You must display such materials and displays as we require from time to time. Our consumer website and other online activities supported by the Brand Fund may also include information about our franchise opportunity.

We are not obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportional to your contributions, or to ensure that any particular franchisee or Franchised Business benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to the Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

We are not required to have an independent audit of the Brand Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 90 days after the close of our fiscal year to franchisees who make a written request for a copy.

The Brand Fund is not a trust and does not give us a fiduciary obligation. Other than our express obligations in the Franchise Agreement, we assume no liability with respect to maintenance, direction, or administration of the Brand Fund. We have the right to incorporate, replace, change, or dissolve the Brand Fund. If we decide to dissolve the Brand Fund, contributions to the Brand Fund will cease, but the Brand Fund will continue in existence until remaining funds have been spent.

As of the date of this disclosure document, we do not have an advertising council composed of franchisees.

Because the Brand Fund is new, we cannot provide a report on how funds were spent in our last fiscal year.

Other than administering the Brand Fund as described above, we do not have an obligation to conduct advertising on your behalf.

Joint Marketing Programs and Cooperatives. We have the right to organize: (1) co-marketing programs in which Franchised Centers and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Centers contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Franchised Centers in a geographic area or with common characteristics on an ongoing basis to jointly promote the Licensed Marks and the Franchised Centers. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative will be credited to your obligation for Local Marketing or, at our option, to your Brand

Fund obligation, or any combination of the two. You must participate in each applicable joint marketing program and comply with the rules of the program. If an existing Cooperative applies to your Franchised Business at the time it opens, you must immediately become a member of the Cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you must become a member no later than 30 days after the date we approve for the Cooperative to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

Approval Requirement. All proposed advertising and promotional materials that you intend to use must meet our standards and specifications and be submitted to us for approval at least 30 days before their intended use. You do not have to submit samples of materials that were prepared by us or that we have approved within the last twelve months. Proposed advertising materials are deemed to be approved if we have not responded within 15 days after your submission of the samples. All advertising and promotion must be in the media and of the type and format that we approve, must be conducted in a dignified manner, and must conform to our standards.

You may not solicit or advertise to customers outside of your territory without our permission. **"Solicit"** includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards, or other materials or any other advertising. If any solicitation of customers within the territory is in media that will or may reach persons outside of the territory, you must notify us in advance and obtain our consent. In considering your request, we will take due account of broadcast TV, terrestrial radio, and other media that cannot be geo-targeted.

Pricing and Promotions. To the extent permitted by applicable law where your Franchised Business is located, we have the right to establish maximum and/or minimum prices that you must follow for the services and products sold by the Franchised Business. You must participate in and comply any special promotional activities that we prescribe for Franchised Centers generally or for Franchised Centers in specific geographic areas or having particular characteristics. These activities may include special pricing offers. You must bear your own costs of participating in these activities.

Digital Marketing. The use of any digital or electronic medium to promote the Franchised Business constitutes advertising and promotion subject to our approval. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, username, text address, mobile application, or other digital, electronic, mobile, or Internet presence that uses or displays any of the Licensed Marks (or any derivative thereof) or that promotes any products or services of the Franchised Business. As noted in Item 8, for certain digital marketing services, you must use the vendors we designate in the Operations Manual from time to time. You may not post or transmit, or cause any other party to post or transmit, advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that we prescribe. You are responsible for ensuring that your employees understand the policies relating to the use of social media and you are responsible for your employees' use of social media in accordance with such policies.

We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Licensed Marks or the Franchised Business be registered in SEF's name. For certain social media channels we designate in the Operations Manual from time to time, your

account must be set up by SEF through a parent/child configuration under which we grant you access to the account. For any social media accounts that we permit to be registered in your name, you must provide us with the current login credentials within five (5) days after opening the account or changing the credentials. We will have the rights to: (i) access any social media accounts to take corrective action if the account or any postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of the Franchise Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you have, a website for your Franchised Business (which may be structured as a separate page of a consumer website(s) supported by the Brand Fund).

Media Appearances. You may not make any television or radio appearance, or make any statement to any public media, in connection with the Franchised Business unless you obtain our prior written approval.

Technology Requirements

We have the right to specify the point-of-sale (POS) system, field service management system, customer relationship management (“**CRM**”) system, accounting system, call handling system, scheduling system, electronic payment system, back-office system, cloud storage system, security systems, audio/visual equipment, GPS tracking system, and other hardware, software applications, devices, and network connectivity for the Franchised Business. You agree to sign any standard license agreement or user agreement that may be required to use a system that we specify. You must use the required systems for customer services, reporting Gross Revenue and other information, training your personnel, and other functions as we specify from time to time. You must ensure that your employees are adequately trained to use the systems and that they follow applicable policies.

Please see Item 8 for a breakdown of the Technology Services that you will obtain from us and the Technology Systems you will obtain directly from designated vendors. This breakdown also discloses the types of data generated by the respective systems. We anticipate the cost to acquire devices, software, and services meeting the above requirements will range from approximately \$8,500 to \$13,400 per Center if you do not already have the necessary systems and devices (see Item 7).

You must have or purchase a personal computer, smart phone, and/or tablet capable of running the systems that we specify. You must have access to the internet, communication networks, and telephone system with adequate speeds to connect to our systems and conduct daily business activities.

Our technology requirements and specifications for Franchised Centers may change over time. We have the right to change vendors and, in some cases, required systems may only be available through us and/or designated vendors. You must promptly update and upgrade your technology as we require, at your own expense. There is no contractual limitation on the frequency and cost of this obligation.

You must maintain your technology systems in good working order at all times and promptly install upgrades, additions, modifications, substitutions, and/or replacements of hardware, software, connectivity, power, and other system components as necessary. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. The vendors of the required systems, including ServiceTitan, generally provide maintenance and upgrades as part of your ongoing fees. Otherwise, you will bear all costs of maintenance, repairs, upgrades,

or updates. We estimate the total cost of optional or required maintenance, updates, upgrades, and support will be approximately \$6,000 to \$12,000 per year.

Data Access. We have the right to independently access (i) the systems that we require you to use in the operation of your Franchised Business, and/or (ii) any other systems that you use to store or process Confidential Information or to display the Licensed Marks to others. We also have the right to require you to deliver business data to us. We can use (and may authorize others to access and use) franchisees' business data for purposes such as monitoring the operations of Service Experts Businesses, including compliance with Minimum Performance Requirements, and preparing a financial performance representation for our disclosure document. There is no contractual limitation on our right to receive or use this information.

We own and have the right to access all Customer Data (defined in Item 14), in whatever form existing, and wherever stored. Because we own the Customer Data, we can (subject to applicable law) share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after the term of the Franchise Agreement, including marketing and cross-selling products and services. Whenever we request, and without request upon termination or expiration of your Franchise Agreement, you must promptly deliver all Customer Data in your possession or control, without retaining any of it in any media. You may not sell or disclose to anyone else any personal information or aggregated or non-aggregated Customer Data without first obtaining our written consent. In the event of an approved sale of the Franchised Business to a new owner who will continue to operate the Franchised Business under an agreement with us, you are required to transfer the Customer Data to us and we will transfer the Customer Data to the new owner, or we may require you, in our sole discretion, to transfer the Customer Data directly to the new owner.

You must implement industry-standard administrative, physical, and technical security measures and devices to protect the Franchised Business, Customer Data, and Confidential Information from unauthorized access, acquisition, loss, destruction, disclosure, or transfer. You are responsible for protecting your information systems and devices from computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. This includes best efforts to secure your systems, including but not limited to the use of firewalls, access code protection, anti-virus systems, and backup systems. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws regarding response to the breach.

Operations Manual

The table of contents of the Operations Manual is in Exhibit J to this disclosure document. The total number of pages in the Operations Manual is 312 pages.

Item 12

Territory

Your franchise is for a specific geographic area assigned by SEF (the "**Territory**"), which will consist of one or more of the territories defined by our designated mapping system. The Approved Location of the Franchised Business must be in the Territory. For a Start-Up Franchise only, the Approved Location can be your home for the first 6 months of operation. You cannot change the Approved Location without our prior written approval. Relocation must be to a location within the Territory. If you ask to relocate, we will evaluate your request using the same standards that we

apply to reviewing the proposed locations of new Franchised Centers. Unless otherwise agreed in writing, relocation does not change your Territory.

Your Territory is protected during the term of your Franchise Agreement, provided you are in full compliance with the terms of the Franchise Agreement, including certain Minimum Performance Requirements (described below) and your obligation to primarily service customers in your Territory. **“Protected”** means that we will not provide, or license any person other than you to provide, HVAC Services under the Licensed Marks from premises or service vehicles within the Territory. Except as specifically provided in the previous sentence, SEF and its affiliates may engage in and franchise any business activities (including, for greater certainty, Water Heater Services) under any name, in any geographic area and at any location, including within the Territory. We can engage in advertising and marketing without restriction, including via the Internet, mobile networks, or any other electronic means, for HVAC Services, Water Heater Services, and other services and for the purpose of recruiting prospective employees or independent contractors.

You do not receive an exclusive territory. You may face competition from other franchisees, from centers that we own, or from other channels of distribution or competitive brands that we control.

For a Start-Up Franchise, the Territory typically will be defined using postal zip codes areas encompassing a population of approximately 60,000 single-family households. The actual number of single family households in the Territory you receive may vary depending on a number of factors that we determine, including the geographic size of the Territory, the ratio of single-family residences to multi-unit dwellings (apartment/condo/townhouse buildings), and median/average household income. For a Start-Up Franchise, you will be able to view available pre-defined sets of zip code areas. Once we have determined your Territory, it will be specified in the Data Sheet to your Franchise Agreement. We will use the most recent information available in the U.S. Census Data or other statistical sources of our choosing to determine single family household populations. We make no representation or guaranty about the accuracy of the data provided by the third-party providers and therefore the actual single family household population may differ from the actual counts at the time of signing the Franchise Agreement.

For Conversion Franchises and Refranchises, we will negotiate the Territory on a case-by-case basis, but we still expect to define the agreed Territory by means of postal zip codes.

Except for the territorial protection defined above in this Item, SEF and its affiliates may engage in any business activities, under any name, in any geographic area and at any location, including within the Territory via the Internet, mobile networks, or any other electronic means. In addition, the territorial protection will not apply at any time when you are in default under the Franchise Agreement beyond any applicable cure period. We (and our affiliates) retain the rights to do any or all of the following:

- To operate, franchise, and license others to operate Service Experts Centers at any location outside of the Territory;
- To engage in advertising, promotion, and solicitation of customers within and outside the Territory by any means, including online and mobile technology and call centers, provided that we refer customer leads for Authorized Services in the Territory to you;
- To complete any customer job that you turn down or cancel for any reason;

- To develop, manufacture, have manufactured, advertise, market, sell, and distribute goods or services through distribution channels other than the Centers, even if the goods and services are identical or similar to those provided by the Franchised Business and even if they use the Licensed Marks. Other channels of distribution may include, for example, the Internet, mobile applications, telemarketing, retail stores, and wholesale clubs, both inside and outside the Territory;
- To operate, franchise, and license others to operate businesses of any kind offering products or services under trademarks or service marks other than the Service Experts marks, anywhere in the world;
- To use the Licensed Marks in lines of business other than the Authorized Services, anywhere in the world; and
- To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the Centers, and even if they have locations and/or customers in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Service Experts business within the Territory.

We have no obligation to compensate you in connection with any of these activities.

Activities Outside of the Territory. You are prohibited from operating the Franchised Business outside of your defined Territory by any means without our express written consent, which we may give and withdraw as we deem appropriate, and which we may condition on certain requirements. You may not solicit or advertise to customers outside of the Territory without our permission. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you must notify us in advance and obtain our consent.

If you receive an unsolicited request to provide services outside of the Territory, you must notify us. We generally will approve the services if they would be provided in an area that is not assigned to another Service Experts franchisee or company-owned Center and if your Gross Revenue from services performed outside of the Territory does not exceed a maximum percentage (see below). If the requested services would be performed in an area that is assigned to another Service Experts franchisee or a Company-Owned Center, you must refer that request to the Center located in the applicable territory.

If we permit you to advertise, solicit, or provide service in areas outside of the Territory that are not assigned to another Center, you must comply with all of the conditions and requirements that we specify with respect to such activities. These conditions and requirements might include, for example: (i) a maximum on the percentage of your Gross Revenue that may come from services performed outside of the Territory (currently 15%); (ii) your agreement to add one or more service vehicles; and (iii) your agreement to purchase the franchise rights for the area in which the sales and services are being performed. We may revoke this right at our sole discretion.

If we authorize you to service one or more customer locations outside of your defined Territory, and we subsequently decide to assign a territory that covers the authorized customer location(s) to another Center, we will give you notice and you will be required to cease all activities in that area, except that you may continue service to your then-current customers in the area for a period not to exceed one (1) year, at which point you must comply with our procedures for transitioning

the customer accounts to the assigned Center. If you have customer program contracts in force with customers in the area, you are required to continue service for the length of the contract unless we direct you to transfer the contract to: (i) a new franchisee in that territory; (ii) a Company-Owned Center; (iii) a third party; or (iv) us. You will not be entitled to any compensation if this happens and you agree to assist the incoming Center with the transition in a professional manner. Delaying or interfering with the transition is a material breach for which we reserve the right to terminate the Franchise Agreement.

Any violation of our policies on out-of-Territory sales and services is a material breach of the Franchise Agreement. However, we cannot assure that other Franchised Centers will never violate our policies and we will not be liable to you if this happens.

Additional Services. As noted in Item 1, we may authorize you to offer Additional Services in the Territory from time to time. For each Additional Service, the territorial protection for the Additional Service and the rules for activities of the Additional Service outside of the Territory will be the same as for HVAC Services as specified in this Item.

You must continuously meet our eligibility requirements for ongoing participation in the Additional Service, which are subject to change by us from time to time and may include, among other criteria, reasonable revenue growth and market penetration levels for the Additional Service. You must follow all System Standards and operational procedures for the Additional Service set out in the Operations Manual from time to time.

If we notify you that the Franchised Business is not in compliance with the obligations above and you do not come into full compliance within a reasonable time (which will not be less than 30 days), we will have the rights to: (i) revoke your authorization for the Additional Service; and/or (ii) permit a Company-Owned Center or another franchisee to offer and sell the Additional Service in the Territory instead of or in addition to you. You will not be entitled to any compensation if this happens.

Other Channels of Distribution. You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You may not sell products of the Franchised Business to any vendor who would in turn sell to consumers.

Key Accounts. We may from time to time enter into agreements to provide services to Key Accounts on a national, regional, or other multi-territory basis. “**Key Account**” means a customer with whom SEF enters into an agreement for delivery of services at multiple locations of the customer or its brand. We have sole discretion whether to designate a particular customer as a Key Account, the manner of negotiation of each Key Account agreement, the terms and conditions of that agreement, and the allocation of the Key Account business among the Centers. In the case of an agreement under which the Key Account customer will pay a fixed amount for services at all locations listed in the agreement, we will allocate the fixed amount among the Centers performing the services. You may not enter into any relationship with a Key Account that, in our reasonable judgment, conflicts with our arrangement with the Key Account.

Our negotiation of Key Account arrangements, if any, enhances the potential value of the SERVICE EXPERTS brand and inures to the benefit of your Franchised Business as well as to the benefit of

other Centers. Accordingly, you must perform the terms of Key Account agreements (which may include special pricing, centralized invoicing, payment terms, extra insurance, timing of services, and other terms) within the Territory. If you refuse to perform the required services or we determine that the Franchised Business is not qualified, interested, able, or available to perform the services, another Service Experts Center may enter the Territory to perform the services for the Key Account. If you repeatedly fail to comply with the rules and regulations that we may issue from time to time for the Key Account program, we have the right to suspend your participation and authorize other Centers to deliver services in the Territory during the period of your suspension. These rights are exceptions to your territorial protection described above in this Item.

Minimum Performance Requirements. Throughout the term of your Franchise Agreement, you must achieve the Gross Revenue and Google Review metrics set out below (together the “**Minimum Performance Requirements**”).

Start-Up Franchises must meet the following minimum Gross Revenue requirements:

Operations Period	Minimum Gross Revenue
First 12 months	\$1.67 per SFH (this would be \$100,000 for a Territory with 60,000 SFH)
Second 12 months	\$4.17 per SFH (\$250,000 for a Territory with 60,000 SFH)
Third 12 months	\$6.67 per SFH (\$400,000 for a Territory with 60,000 SFH)
Fourth 12 months	\$9.17 per SFH (\$550,000 for a Territory with 60,000 SFH)
Fifth 12 months and thereafter	\$11.67 per SFH (\$700,000 for a Territory with 60,000 SFH)

The “Operations Period” in the chart is measured from the “**Original Opening Date**” of the Franchised Business, which means the date on which you or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. “SFH” in the chart means the single family households in your Territory when you sign the Franchise Agreement.

You must also maintain a monthly Google Review rating average of 4.5 stars or above for the Franchised Business during the term of the Franchise Agreement.

Conversion Franchisees must meet the same monthly Google review rating average as Start-Up Franchisees. In addition, Conversion Franchisees must achieve Gross Revenue in each year of operation not less than the gross revenue of the pre-conversion HVAC Services business in the last twelve (12) months before signing the Franchise Agreement.

If you do not achieve the Minimum Performance Requirements, we will have the right to require you to implement a performance improvement program as we specify, which may include, among other things, completing refresher training and engaging in specified marketing activities. If you still do not achieve the Minimum Performance Requirements after implementing the performance

improvement program, we will have the right to: (i) reduce the size of the Territory (with a corresponding adjustment in the Minimum Performance Requirements); or (ii) terminate your Franchise Agreement.

The Minimum Performance Requirements are not a representation or guarantee of the results your Franchised Business or any Franchised Center will or might achieve. The Minimum Performance Requirements do not predict or project your revenue or other business results. Any revenue you generate from outside of your Territory will not count toward the Minimum Performance Requirement for the Territory.

Neither we nor any affiliate operates, franchises, or has plans to operate or franchise a business that offers goods or services similar to those of the Service Experts franchise under a different trademark, except as follows:

As noted in Item 1, Enercare has seven franchisees operating under the Enercare name in Canada

You do not receive an option, right of first refusal, or similar rights to acquire additional franchises or territories.

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Item 13**Trademarks, Service Marks, Trade Names,
Logotypes, And Commercial Symbols**

The principal trademarks we license you to use are the SERVICE EXPERTS HEATING AND AIR CONDITIONING mark and the logo shown on the cover page of this disclosure document. The term “**principal trademarks**” means the primary trademarks, service marks, names, logos, and commercial symbols that you will use to identify the Franchised Business and does not include every trademark associated with the Service Experts brand. The term Licensed Marks is a broader term encompassing all of the marks we designate for the operation of Franchised Centers. Our affiliate, Service Experts LLC, is the owner of the Licensed Marks.

The following marks are registered on the Principal Register of the United States Patent and Trademark Office (“**USPTO**”):

Mark	Registration No	Registration Date
SERVICE EXPERTS	1979318	June 11, 1996
SERVICE EXPERTS HEATING & AIR CONDITIONING	4322904	April 23, 2013
	4103220	Feb. 21, 2012
	6479722	Sept. 7, 2021

Our affiliate has filed all affidavits required to date for the marks listed above. Our affiliate intends to renew the registrations for these marks at the times required by law.

In addition, our affiliate owns the following mark, but has not yet filed an application for registration of this mark on the Principal Register:

Mark	Serial No.	Filing Date
	N/A	N/A

Our affiliate does not have a federal registration for the mark immediately above. Therefore, this mark does not have as many legal benefits and rights as a federally registered trademark. If our right to use this mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Service Experts LLC has granted us a license to use these marks and to sublicense our franchisees to use them. The term of the license agreement is one year and automatically renews for additional one-year periods unless terminated. Our affiliate can terminate the license agreement only if we (1) cease to be its affiliate; (2) become insolvent, file for bankruptcy, or dissolve; or (3) breach the license agreement and fail to cure. Our franchisees will automatically become direct licensees of our affiliate if the license agreement terminates for any reason.

Other than the license from our affiliate, there are no agreements that significantly limit our right to use any of our principal marks. We are not aware of any superior rights or infringing uses that could materially affect your use of any of our principal marks. There are no currently effective determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving any of our principal mark. We know of no pending infringement, opposition or cancellation proceedings and no material litigation involving any of our principal marks.

You must follow our rules when you use the Licensed Marks. You may not use any of the Licensed Marks as part of your corporate or legal name, as part of an internet domain name or URL, or in connection with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any other modified form except as we expressly otherwise authorize in writing. You may not use any of the Licensed Marks in connection with any product or service we have not approved. The Operations Manual includes guidelines regarding proper use and presentation of the Licensed Marks.

You must operate, advertise, and promote the Franchised Business only under the Licensed Marks. In conjunction with any use of the Licensed Marks, you must conspicuously identify yourself in all dealings with customers, participants, employees, contractors, landlords, vendors, suppliers, reporters, public officials, and others as an independent franchisee operating under authority of the Franchise Agreement. You must display a prominent notice, in a form that we may prescribe, on all business cards, stationery, advertising, signs, vehicle wraps, invoices, and other public-facing materials, identifying us (or our affiliate) as the owner of the Licensed Marks. All legal documents, contracts, invoices, payroll forms, purchase orders, filings, permits, licenses, and other materials between you and customers, participants, employees, contractors, landlords, vendors, suppliers, government agencies, and other third parties must identify you by your own company or legal name and, if the document requires a signature, be signed by you in your own company or legal name.

You must promptly notify us if you suspect any unauthorized use of the Licensed Marks or become aware of any challenge to the validity of the Licensed Marks or to our affiliate's ownership of or

your right to use the Licensed Marks. We and our affiliate will have the exclusive right to initiate, direct, and control any administrative proceeding or litigation involving the Licensed Marks, including any settlement of the action. We and our affiliate also have the exclusive right, but no obligation, to take action against uses by others that may constitute infringement of the Licensed Marks. If we undertake the defense or prosecution of any litigation concerning the Licensed Marks, you must sign any documents and provide other assistance our counsel may deem necessary to protect our interests in the Licensed Marks. Except to the extent that the litigation is the result of your use of the Licensed Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Licensed Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

If we replace, add to, modify, or discontinue any of the Licensed Marks, you must make corresponding changes as we direct. If this happens, you are responsible for the costs of compliance (for example, changing letterhead and business cards).

We have the right to update the Licensed Marks and contract terms applicable to specific Additional Services by notifying franchisees of the change through the Operations Manual at least 30 days before the change is to take effect. Unless otherwise specified, the change to the applicable addendum will apply to jobs on your service schedule at the time the change takes effect. If you object to the change, you can terminate participation in the affected Additional Service by written notice to us. If you do not terminate before the time when the change takes effect, you will be deemed to have accepted the change.

Item 14 **Patents, Copyrights, and Proprietary Information**

Patents. There are no patents or patent applications that are material to the franchise.

Copyrights. We claim common law copyright protection in the Operations Manual, our advertising material, websites, mobile apps, promotional letters and forms, educational and training materials, and other works used in operating the Franchised Business (the “**Works**”). However, we have not filed an application to register the copyright in any of these materials. You may use our proprietary materials and the Operations Manual only for the purpose of operating the Franchised Business while the Franchise Agreement is in force. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

There are no currently effective determinations of the Patent and Trademark Office, Copyright Office, or any court concerning any copyright. There are no agreements pursuant to which we derive our rights in the copyrights or which could limit your use. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Proprietary Information. We claim proprietary rights in all Confidential Information, which is defined in the Franchise Agreement as all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you obtain by virtue of the Franchise Agreement or any activities under the Franchise Agreement.

Confidential Information includes, but is not limited to: (i) methods, techniques, specifications, standards, policies, and procedures relating to the operation of Service Experts businesses; (ii) future marketing plans, promotional programs, and lead generation programs for the brand; (iii) Customer Data (as defined below in this Item); (iv) the identity of and terms of service for Key Account customers; (v) sales, operating results, financial performance, and other non-public financial information about us, our affiliates, Company-Owned Centers, or Franchised Centers; (vi) our and our affiliates' territorial development strategies; (vii) the System Standards, the Operations Manual, and the contents of our training programs and materials; (viii) vendor lists, pricing, terms of purchase, and other information concerning the selection and sourcing of products, services, technology, equipment, and supplies for Service Experts businesses; (ix) inventory requirements and specifications; (x) future technology plans and upgrades; (xi) marketing studies, surveys, and cost studies; and (xii) research and development, testing programs, test results, and feasibility studies.

To the extent permitted by applicable law, all Customer Data is deemed to be owned by SEF. **"Customer Data"** means all information about persons or entities who are doing business with, have done business with, or are known to be considering doing business with the Franchised Business, including contact information, transaction history, customer service requests, and any other information we specify. We have the right to access all Customer Data, in whatever form existing and wherever maintained. Because we own the Customer Data, we can (subject to applicable law) share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, including for marketing and cross-selling products and services. You will have the right to use Customer Data while the Franchise Agreement is in effect, but only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Customer Data for any purpose other than marketing SERVICE EXPERT services and products. However, if you sell the Franchised Business, you may transfer the right to use Customer Data to the buyer for value.

You must maintain the absolute confidentiality of the Confidential Information both during the term and after the termination or expiration of the Franchise Agreement and not disclose any of the Confidential Information for any reason except as permitted by the Franchise Agreement. You can disclose the Confidential Information to your owners, officers, directors, members, partners, managers, and employees only to the extent necessary for the operation of the Franchised Business in accordance with the Franchise Agreement. You further agree not to use any of the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us both during the term of the Franchise Agreement or afterwards. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

You must notify us immediately if you learn about an unauthorized use of Confidential Information. We are not obligated to take action, and we have the sole right to decide the appropriate response to any unauthorized use.

You may not introduce any **"Improvement"** (defined as any change, idea, innovation, concept, or variation that may enhance or improve the System) into the Franchised Business without our prior written consent. Any Improvement developed by you or any Owner, employee, or agent is deemed to be our property. At our request, you must provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us,

without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

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

If the Franchisee is a corporation, partnership, or LLC, you must designate an individual Owner as your “**Principal Owner**.” If the Principal Owner will not be the day-to-day manager of the Franchised Business, you must also designate an individual who will be responsible for the day-to-day operational performance and who has the authority to bind the Franchisee in all decisions regarding the Franchised Business (the “**Key Person**”). The Key Person need not be an Owner, but must successfully complete our Training Program and work on premises at the Approved Location.

We have the right to rely on any statement, agreement, or representation made by the Key Person on your behalf. The Key Person must certify your financial statements as correct and complete to the best of the Key Person’s knowledge. If the Key Person leaves your organization, you must nominate a replacement within 30 days, and if you have not obtained our approval of a replacement within 90 days, you will be in material default of the Franchise Agreement.

If the Franchisee is or will be a business entity, all of its Owners (whether or not they are involved in the operation of the Franchised Business) who own 10% or greater interest in the business entity must sign the Personal Guarantee attached to the Franchise Agreement, making each of them individually liable for all obligations under the Franchise Agreement. If any of your Owners is also a business entity instead of an individual, we have the right to require that the Personal Guarantee be executed by individuals and any other business entities that have direct or indirect ownership in the Franchisee.

The spouse of an Owner is not required to sign a Personal Guarantee if the spouse has no ownership interest in the business entity. However, the spouse will be required to sign a Spouse Acknowledgement, by which the spouse acknowledges that we are relying on all assets of the guarantor, including jointly owned marital property, in accepting the guarantor’s obligations. The Spouse Acknowledgment is attached to the Personal Guarantee. The spouse also agrees to be bound by the non-competition and non-disclosure restrictions, dispute resolution provisions, and governing law provision contained in the Franchise Agreement.

At our request, the Owners, Key Person, officers, directors, limited liability company managers and/or members, and executives that we designate must sign a separate Confidentiality and Non-Compete Agreement (the form of which is attached to the Franchise Agreement). In addition, you and the Owners authorize us to run credit and background checks and to make inquiries of your bank, suppliers, and trade creditors concerning the Franchised Business.

Item 16 Restrictions on What the Franchisee May Sell

All franchisees must offer HVAC Services to residential and light commercial customers. Franchisees also have the option, but are not required, to offer Water Heater Services, subject to our prior written approval. Franchisees will also have the option to offer any Additional Services

we make available from time to time. We may establish reasonable eligibility criteria for franchisees to offer an Additional Service.

Each Additional Service will be offered by means of an addendum to the Franchise Agreement. The Additional Service Addendum will include the Licensed Mark(s) designated for the Additional Service and any additional or revised contract terms and conditions. If and when you are authorized and once you sign the Additional Service Addendum, you must use best efforts to sell the Additional Service in the Territory. You must pay any start-up costs, franchise fees, training fees, and other fees and expenses associated with the Additional Service, which may include technology licensing fees, equipment and material costs, charges for marketing materials, and other expenses.

“Authorized Services” means, collectively, HVAC Services, Water Heater Services, and any Additional Services we have expressly authorized you to offer. For each Authorized Service, you must offer customers all services and products that we designate from time to time in the Operations Manual as required items. The required items may include specified customer programs, as described below. You may also offer any optional services and products that we have designated in the Operations Manual as approved for the Authorized Services. You are prohibited from offering any unapproved products or services without our prior written consent, and you must discontinue selling or offering for sale any products or services that we disapprove at any time. The Authorized Services of other Franchised Centers will or may differ from your Authorized Services and you receive no rights to any services or associated Licensed Marks by virtue of any rights granted to others.

You must focus the Franchised Business on residential maintenance, repair, and replacement customers, but you may also provide services to light commercial and residential new construction customers, provided that your Gross Revenue from light commercial and residential new construction customers does not exceed 10% of your total Gross Revenue for the previous twelve months. If you request an increase in this percentage, we will review the request on a case-by-case basis taking into consideration the information we deem relevant, but the percentage cannot be modified without our prior written approval.

Key Accounts. You must provide services for any Key Accounts with locations in your Territory (see Item 12). If you refuse to perform the required services, or if we determine that your Franchised Business is not qualified, interested, able, or available to perform the services, we can authorize another franchisee to service the Key Account or do so ourselves.

Customer Programs. You must make available to each customer the programs we specify from time to time in the Operations Manual. As of the date of this disclosure document, the required customer programs include: (i) the “Advantage” equipment leasing program; (ii) the “Maintenance+” service contract program; (iii) the 100% satisfaction guarantee included in our customer terms and conditions and related marketing; and (iv) the “Service Finance” customer financing program. We will publish any changes to the required customer programs in the Operations Manual. You must comply with the terms of each customer program for all customers who choose to participate. We reserve the right to change or discontinue these programs.

To the extent we designate forms of customer contracts, warranties, liability waivers, and/or other materials to be used in the marketing and operation of the Franchised Business, you must use only the designated items. It is your responsibility to have all such forms reviewed by an attorney licensed to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements, at your own expense. We do not represent

that any contracts, waivers, and/or other forms we make available are in compliance with the laws of your state or locality. You may not offer your own gift card, electronic money, or loyalty programs for the Franchised Business without our prior written approval.

As noted in Item 11, we may establish maximum and/or minimum prices that you are required to follow for products and services sold in the Franchised Business. If we have not established pricing policies for particular products or services, you will determine the appropriate pricing.

You may not perform services or sell products related to the Franchised Business outside of your Territory without our prior written consent, which we may give and withdraw as we deem appropriate. Please see Item 12 for further details regarding permissible out-of-Territory activities.

You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You do not receive the right to sell products to any vendor who would in turn sell to consumers.

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Item 17**Renewal, Termination, Transfer, and Dispute Resolution**

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

The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3	The term is 10 years from your Opening Deadline.
b. Renewal or extension of the term	Section 18	You can renew the Franchise Agreement for one additional term of 10 years if you meet certain conditions.
c. Requirements for you to renew or extend	Section 18	Conditions include: Written notice of your intent to renew; no current default of the Franchise Agreement; good record of customer service and compliance with System Standards; on good terms with us, including no litigation or adversarial legal proceedings with us; at our option, sign our then-current form of Franchise Agreement; pay renewal fee; sign general release of claims against us (<u>Exhibit L</u> to this disclosure document); meet our training requirements; demonstrate right to remain in the Approved Location for the renewal term; remodel or refurbish your business premises, replace or refresh service vehicles and conform equipment and technology to then-current System Standards. The successor Franchise Agreement may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements.
d. Termination by you	None	No Franchise Agreement provision. However, you can terminate on any grounds available at law.
e. Termination by us without cause	None	Not applicable.
f. Termination by us with cause	Section 14	See g. and h. below. In addition, your default under any other agreement that you or an affiliate has with us or our affiliates will constitute a default, subject to any applicable provisions for notice and cure set forth in the other agreement.

The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Sections 14.1.5, 14.1.16, 14.1.19 and 14.2	You have 24 hours to cure unauthorized use of the Licensed Marks or conduct threatening to impair the Licensed Marks, 48 hours to cure failure to maintain required insurance coverage, 7 days to cure non-payment, and 30 days to cure other defaults, except for those described in h. below. We have a "step in" right if you fail to cure a default within the applicable cure period (if any). This clause gives us the right, but not the obligation, to assume temporary management of the Franchised Business using our own employees or contractors (which may include other franchisees) until we determine that the default has been cured and you are otherwise in compliance. If we exercise the step-in right, you must give us access to your business premises and pay us a management fee and costs (see Item 6). The step-in right does not preclude our right to terminate the Franchise Agreement if your default is not cured. We also have certain other pre-termination options if you are in default. They include: removing the Franchised Business from listings of our locations, prohibiting you from attending brand meetings, suspending access to technology platforms, and suspending other services. These actions are in addition to our right to terminate and/or bring a claim for damages.

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The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
h. "Cause" defined - non-curable defaults	Section 14.1	Non-curable defaults include: failure to complete pre-opening training to our satisfaction; failure to open Franchised Business by deadline; abandonment of the business; refusing inspection or access to records; operating Competing Business (see q. below); unapproved transfer of ownership or business assets; knowing misuse or disclosure of Confidential Information; maintaining false books, underreporting sales, engaging in fraud, or misappropriating funds; conviction of felony or certain other crimes; insolvency, receivership, or dissolution of your business entity or loss of business license; loss of premises or right to do business; if Franchisee or any Owner appears on a list of "blocked" persons under any anti-terrorism or similar law; violating health, safety, or sanitation law or operating the Franchised Business in a manner that presents a health or safety hazard to your employees, customers, or the general public; and repeated defaults even if cured.
i. Your obligations on termination/ nonrenewal	Sections 14.6 and 15	We have the option to assume your lease, buy the business assets, and take over your customer contracts. If we do not exercise these options, your obligations include ceasing to operate the Franchised Business, complete de-branding, deactivating or transferring domain name registrations and social media accounts for the Franchised Business, transferring your business telephone number and listings to us, paying all amounts due, returning all of our materials, and complying with confidentiality and non-compete restrictions, among others (also see o. and r. below). If termination was based on your default, you must also pay liquidated damages to compensate for lost future royalties and Brand Fund contributions (see Item 6).
j. Assignment of contract by us	Section 13.7	There are no limits on our right to assign the Franchise Agreement, sell our assets, or merge with, acquire, or be acquired by another company.

The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you - definition	Section 13.1	Restrictions apply to transfers of any direct or indirect interest in the Franchise Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee (if the Franchisee is a corporation or other entity).
l. Our approval of transfer by you	Section 13.1	We have the right to review and approve all proposed transfers.
m. Conditions for our approval of transfer	Sections 13.2 and 13.3	Conditions we can impose for sale of the Franchised Business or a change of control include: no default exists; proposed transferee meets our qualifications, signs our then-current Franchise Agreement (and owners sign our personal guarantee), successfully completes training, makes arrangements to upgrade the business to our current standards, and, if a current franchisee at another location, is not in default at that location; you pay transfer fee (see Item 6) and sign release of claims against us (<u>Exhibit L</u> to this disclosure document); price and terms do not harm viability of Franchised Business; and any financing is subordinated to obligations to us.
n. Our right of first refusal to acquire your business	Section 13.6	We have the right to match any offer that would result in a change of control of the Franchised Business, except in the case of transfer to a spouse and/or adult children.
o. Our option to purchase your business	Section 15.1	No option except upon expiration or termination of the franchise. See i. above.
p. Your death or disability	Section 13.4	Your executor or personal representative must apply to us within three months to transfer the interest of the deceased or incapacitated person to an approved party and must complete transfer within one year. If the deceased or incapacitated person is the Key Person, we have the right to manage the Franchised Business until the transfer is completed.

The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 16.1	No involvement with a “Competing Business,” defined as a business that primarily provides or offers franchises for: (i) one or more of the Authorized Services that the Franchised Business is allowed to offer and sell under the Franchise Agreement; (ii) any other services offered by the Company-Owned Centers to residential customers under the Service Experts brand (such as plumbing, electrical, insulation, residential power generators, solar panels, residential water treatment, batteries, and EV chargers); or (iii) leasing of products connected to any of the services covered by clauses (i) and (ii) above. This is subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.2	No involvement with Competing Business for two years after expiration, termination, or approved transfer of the franchise. Applies if the Competing Business is operating (i) within your former Territory, (ii) within 10 miles of the perimeter of your former Territory, or (iii) within the territory assigned to any other Company-Owned Center or Franchised Center then in operation. This is subject to state law.
s. Modification of the agreement	Section 21.10	Modifications to the Franchise Agreement must be in writing, signed by both parties. Does not apply to our changes to the Operations Manual.
t. Integration/ merger clause	Section 21.10	Only the final written terms of the Franchise Agreement and related agreements are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement (or in this disclosure document) is intended to disclaim the representations made in this disclosure document.

The Franchise Relationship		
Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by mediation or arbitration	Sections 22.2 and 22.3	We, you, and the Owners agree to mediate all disputes before filing litigation, with the exception of actions for provisional or declaratory relief. Mediation will be held in the city where our headquarters are located at the time the demand for mediation is issued (currently Richardson, Texas). These provisions are subject to state law in your state.
v. Choice of forum	Section 22.5	You and the Owners must file any suit against us in federal court in the district where our headquarters are located at the time the suit is filed (currently Richardson, Texas). We can sue you in federal or state court in the district where our headquarters are located or where the Franchised Business is located. You and we both waive the right to trial by jury and the right to seek punitive damages. These provisions are subject to state law in your state.
w. Choice of law	Section 22.1	Texas law applies, subject to state law in your state.

Item 18

Public Figures

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

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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 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.

Reporting Period: In this Item, we present certain historical performance data for the 12 months ending with May 2025 (the "Reporting Period") for the corporate-owned locations operated by our affiliate

Included Locations: As of the date of this disclosure document, Service Experts operates a network of 80 corporate-owned locations ("All Corporate Outlets") in the United States, offering a range of services to residential and commercial customers. Of these locations, 38 (the "Disclosed Outlets") primarily provide residential HVAC installation and services (i.e., these services constitute at least 80% of their revenue), and we consider these 38 locations to be substantially similar to the business model of the franchises offered. This Item 19 focuses solely on the financial performance of these 38 Disclosed Outlets. The remaining company-owned locations have been excluded because they offer, in significant proportions, additional services not included in the franchise offering, making their financial performance not directly comparable. The Disclosed Outlets are diverse in terms of size, geography, leadership tenure, demographics, and market conditions.

The explanatory notes following the tables are an important part of the information presented.

Tables 1-3 – Financial Performance of Disclosed Outlets

The following tables present the Gross Revenue performance during the Reporting Period of the Disclosed Outlets that offer services comparable to the franchise offering. The data is presented in quartile format, showing the average, median, high, and low sales performance for the Reporting Period, as well as the number of outlets in each quartile and the number that exceeded the average. The Disclosed Outlets operate in territories equivalent to multiple standard franchise territories (a "standard" territory, as described in Item 12, is one that encompasses 60,000 single-family households). The tables below include average household coverage for each quartile.

Table 1 - Statement of Average and Median Annual Gross Revenue (Last Twelve Months as of May 2025)

Quartile Rank	Average Gross Revenue	High	Low	Median Gross Revenue	Number in Group	Number that exceed Average	Estimated Average Household Coverage
1st Quartile	\$12,227,259	\$19,158,191	\$7,028,814	\$11,985,130	10	5 (50%)	315,939
2nd Quartile	\$5,721,730	\$6,739,104	\$4,884,151	\$5,426,815	9	4 (44%)	314,986
3rd Quartile	\$4,269,537	\$4,799,979	\$3,416,859	\$4,405,875	9	6 (67%)	241,477
4th Quartile	\$2,819,769	\$3,355,165	\$1,790,851	\$2,928,689	10	6 (60%)	247,440
Total	\$6,326,097	\$19,158,191	\$1,790,851	\$6,253,484	38	13 (34%)	280,051

"Gross Revenue" means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter,

or other value and regardless of collection in the case of credit, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes revenue from insurance and government programs and revenue from services performed using any portion of the System, the Licensed Marks (such as service vehicles, invoices, and uniforms bearing the Licensed Marks), the Confidential Information, any employees of the Franchised Business, or the telephone number of the Franchised Business (whether or not the products or services were approved by us). Your Gross Revenue will not be reduced on account of any payments you make to subcontractors or any fees or commissions you pay to third parties who refer customers.

Quartile Rank - represents the distribution of Gross Revenue among the locations in the group. The quartiles are divided into equal parts with 1st Quartile (highest 25% Gross Revenue), 2nd Quartile (second highest 25% of Gross Revenue), 3rd Quartile (third 25% of Gross Revenue), 4th Quartile (the lowest 25% of Gross Revenue).

Average Gross Revenue - represents the total sales generated by each location in the group, divided by the number of locations in the group.

High/Low - represent the highest and lowest Gross Revenue figures achieved by any location in the group, providing a range of sales performance.

Median Gross Revenue - represents the middle value of the Gross Revenue figures when arranged in order from lowest to highest. This figure provides a better representation of the typical sales performance, less affected by extreme values.

Number in Group - represents the number of corporate-owned locations included in the group.

Number that Exceed Average - represents the number of locations that achieved higher than the average Gross Revenue figure for the group.

Estimated Average Household Coverage – represents the average estimated number of single-family households that can be reached within each group. This was compiled by analyzing an average center's Gross Revenue by zip code, and identifying the top zip codes that contributed 80% of the center's volume. This data was then combined with census data on single-family households to calculate an average household coverage for each center.

Analysis of Leadership Impact on Financial Performance. To provide further insight into the sales performance for the Reporting Period, we have also grouped the 38 Disclosed Outlets into two categories: those with continuous leadership for the past 24 months (20 locations) and those with leadership vacancies (18 locations). "Continuous leadership" refers to the presence of a consistent General Manager ("GM") who is responsible for executing the operational plan and managing the day-to-day activities of the center. In Tables 2 and 3 below, the sales performance metrics from Table 1 are presented separately for each group, allowing for a comparison of the impact of leadership continuity on performance.

Table 2 focuses on outlets that have maintained consistent leadership over the last 24 months, while Table 3 examines outlets that have experienced a gap in leadership.

Table 2 - Statement of Average and Median Annual Gross Revenue
(Last Twelve Months as of May 2025; Continuous Leadership in the GM position)

Quartile Rank	Average Gross Revenue	High	Low	Median Gross Revenue	Number in Group	Number that exceed Average	Average Household Coverage
1st Quartile	\$12,588,630	\$16,146,168	\$9,048,611	\$13,093,278	5	3 (60%)	301,258
2nd Quartile	\$6,783,476	\$7,419,296	\$6,353,410	\$6,739,104	5	2 (40%)	256,729
3rd Quartile	\$5,269,567	\$5,916,049	\$4,586,396	\$5,307,876	5	3 (60%)	190,209
4th Quartile	\$3,496,548	\$4,300,535	\$2,519,401	\$3,355,165	5	2 (40%)	216,895
Total	\$7,034,555	\$16,146,168	\$2,519,401	\$7,123,856	20	6 (30%)	241,273

Table 3 - Statement of Average and Median Annual Gross Revenue
(Last Twelve Months as of May 2025; Non-Continuous Leadership in the GM position)

Quartile Rank	Average Gross Revenue	High	Low	Median Gross Revenue	Number in Group	Number that exceed Average	Average Household Coverage
1st Quartile	\$11,029,238	\$19,158,191	\$4,884,151	9,494,251	5	2 (40%)	491,379
2nd Quartile	\$4,654,899	\$4,799,979	\$4,405,875	4,706,872	4	3 (75%)	320,628
3rd Quartile	\$3,295,954	\$3,424,598	\$3,148,143	3,305,537	4	2 (50%)	241,687
4th Quartile	\$2,550,195	\$2,964,406	\$1,790,851	2,699,763	5	3 (60%)	222,069
Total	\$5,538,921	\$19,158,191	\$1,790,851	5,167,761	18	3 (17%)	323,139

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Table 4 – Statement of Average Revenue and Selected Expenses

Table 4 presents average revenue and selected expenses for the 38 Disclosed Outlets for the Reporting Period, broken down between outlets that have maintained consistent leadership over the last 24 months and outlets that have experienced a gap in leadership. Table 4 includes imputed amounts for Royalty fees, Brand Fund contributions, and Technology Fees (see Item 6), and accounting fees (see Item 8) that the 38 Disclosed Outlets would have incurred if they had operated as franchises during the Reporting Period under the terms of the current Franchise Agreement. Table 4 does not include all expenses of the Disclosed Outlets, as further explained in the notes following the table.

Continuous Leadership			Non-Continuous Leadership		
All Quartile	Average	% of Revenue	All Quartile	Average	% of Revenue
Gross Revenue	\$7,034,555	100%	Gross Revenue	\$5,538,921	100%
Cost of Sales			Cost of Sales		
COS - Labor	\$2,153,765	31%	COS - Labor	\$1,739,058	31%
COS - Equipment & Parts	\$1,683,967	24%	COS - Equipment & Parts	\$1,340,674	24%
COS - Other	\$548,087	8%	COS - Other	\$505,209	9%
Gross Profit	\$2,648,736	38%	Gross Profit	\$1,953,981	35%
SGA - Compensation	\$585,310	8%	SGA - Compensation	\$582,517	11%
SGA - Marketing	\$464,856	7%	SGA - Marketing	\$458,124.59	8%
SGA - Vehicles / Facilities	\$127,695	2%	SGA - Vehicles / Facilities	\$149,117	3%
SGA - General Office	\$197,804	3%	SGA - General Office	\$191,846	3%
Total SG&A	\$1,375,665	20%	Total SG&A	\$1,381,604	25%
EBITDA	\$1,273,072	18%	EBITDA	\$572,378	10%
Royalty (6%)	\$422,073		Royalty (6%)	\$332,335	
Brand Fund (1%)	\$70,346		Brand Fund (1%)	\$55,389	
Tech Fee	\$7,080		Tech Fee	\$7,080	
Accounting Fee	\$6,180		Accounting Fee	\$6,180	
Proforma EBITDA	\$767,393	11%	Proforma EBITDA	\$171,393	3%

Revenue – represents the average Gross Revenue generated by the group from their business activities (sales of goods or services).

Cost of Sales (COS) – represents the average direct cost attributable to the goods or services sold.

- **Labor** – compensation for employees directly involved in the services or installation of HVAC (wages, commissions, benefits, etc.).
- **Parts and Equipment** includes cost of materials, components and equipment. It does not include any vendor rebates, as these rebates are retained by the franchisor. The franchisor may, at its discretion, implement programs that provide benefits to franchisees.
- **Other** – includes costs that are associated with the sale of goods and services that are not captured above. This can include auto fuel and maintenance, transaction processing charges, auto insurance, and worker compensation costs. In addition, not all insurance costs are incurred by the center; additional costs, such as contributions to claims reserves or funding for claims expenses, are funded and managed at the corporate level.

Gross Profit – calculated as Gross Revenue minus total Cost of Sales.

Selling, General & Administrative (SG&A) – these are the operating expenses not directly related to cost of sales.

- **Compensation** – includes salaries, wages and benefits for employees not in cost of sales (e.g. management, admin staff), but does not include wages for General Managers (GM). GM wages are excluded because (1) the preferred franchise model is an owner-operator model, with no GM; and (2) if the Franchisee elects to have a GM, it is at the discretion of the Franchisee on how to determine compensation for this role.
- **Marketing** – expenses incurred for advertising, promotions, and marketing activities to attract and retain customers.
- **Vehicle/Facilities** – covers expenses related to the physical location (i.e. utilities, property taxes, repairs, maintenance) and costs associated with fuel, maintenance, and licenses for sales personnel. This does not include lease payments for vehicles or the physical center location, can vary significantly depending on a Franchisee's individual choice regarding leasing versus ownership and the specific terms negotiated.
- **General Office** – other general administrative costs for the overall operations of the business (e.g. supplies, general liability insurance, bad debt). It also includes IT Costs which includes costs associated with software licenses, hardware costs and support.

EBITDA - Stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. It is calculated as Gross Profit minus Total SG&A expenses (excluding any depreciation, amortization and lease charges).

Table 5 - HVAC New Installation Transaction Type Mix and Performance

Table 5 presents data on the average sales ticket (revenue per transaction) for HVAC replacement sales at corporate-owned centers, segmented by the customer's payment method. This data is based on HVAC replacement transactions completed during the 12-month period ending May 2025 at the 38 Disclosed Outlets. Table 5 reflects three primary transaction types for the sale of HVAC equipment: Leasing, Financing, and Direct Payment. As noted in Item 1 and Item 16, our affiliate provides a leasing solution for customers under the "Advantage" name. Some customers prefer a leasing option because it enables them to avoid a large upfront payment and because it includes maintenance and repair coverage over the life of the contract.

Transaction Type	Transaction Mix	Average Sale	High	Low	Median	Leasing Avg. Sale vs Other Options
Leasing (Advantage)	35%	\$15,384	\$38,999	\$2,865	\$14,919	
Financing	17%	\$13,858	\$64,867	\$3,400	\$13,088	+11%
Direct Payment	48%	\$13,474	\$95,890	\$2,533	\$12,081	+14%
Total	100%	\$14,208	\$95,890	\$2,533	\$13,368	

* * *

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

The financial information we utilized in preparing the preceding financial performance representations is from the operating records of our affiliate.

Table 1:
System-wide Outlet Summary for 2022 to 2024 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	78	81	+3
	2023	81	81	0
	2024	81	89	+8
Total Outlets	2022	78	81	+3
	2023	81	81	0
	2024	81	89	+8

Notes for tables 1-5 in this Item 20:

- (1) All data listed is as of the fiscal year end. Our fiscal year end falls on December 31st each year. We began offering franchises in April 2025.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2022 to 2024 (Note 1)

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Table 3:
Status of Franchised Outlets for 2022 to 2024 (Note 1)

State	Year	Outlets at Start of Year	Outlets Opened	Termi- nations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

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Table 4:
Status of Company-Owned Outlets
for 2022 to 2024 (Notes 2 and 3)

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed (Note 3)	Outlets Sold to Franchisees	Outlets at the End of the Year
Alabama	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	1	0	0	0	3
Arizona	2022	3	0	0	1	0	2
	2023	2	0	0	0	0	2
	2024	2	4	0	0	0	6
California	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
Colorado	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	1	0	1
Florida	2022	9	0	0	0	0	9
	2023	9	0	0	0	0	9
	2024	9	1	0	1	0	9
Georgia	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
	2024	5	0	0	1	0	4

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed (Note 3)	Outlets Sold to Franchisees	Outlets at the End of the Year
Idaho	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Illinois	2022	3	1	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	0	0	1	0	3
Indiana	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
Kansas	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Kentucky	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Louisiana	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	1 (Note 2)	0	0
Maine	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed (Note 3)	Outlets Sold to Franchisees	Outlets at the End of the Year
	2024	1	0	0	0	0	1
Maryland	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	5	0	0	0	7
Mississippi	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Nebraska	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
New Hampshire	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
New Jersey	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
New York	2022	4	2	0	0	0	6
	2023	6	0	0	0	0	6
	2024	6	1	0	0	0	7
North Carolina	2022	1	0	0	0	0	1

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed (Note 3)	Outlets Sold to Franchisees	Outlets at the End of the Year
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Ohio	2022	8	0	0	0	0	8
	2023	8	0	0	0	0	8
	2024	8	1	0	5	0	4
Oklahoma	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Pennsylvania	2022	1	1	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	3	0	0	0	5
South Carolina	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
South Dakota	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Tennessee	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed (Note 3)	Outlets Sold to Franchisees	Outlets at the End of the Year
Texas	2022	8	0	0	0	0	8
	2023	8	0	0	0	0	8
	2024	8	1	0	2	0	7
Utah	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Virginia	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	2	0	0	0	4
West Virginia	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
TOTAL	2022	78	4	0	1	0	81
	2023	81	0	0	0	0	81
	2024	81	20	0	12 (Notes 2 and 3)	0	89

Notes to Table 4:

- (2) The closed location in Louisiana was sold to a third party and remains in operation under new ownership.
- (3) Four outlets closed in Ohio. All other closed outlets in 2024 were the result of mergers of the operations of existing Company-Owned Centers.

**Table 5:
Projected Openings as of December 31, 2024 for 2025**

State	Franchise Agreement Signed But Outlet Not Open as of 12/31/2024	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Year
California	0	1	0
Georgia	0	1	0
Idaho	0	1	0
Illinois	0	1	0
Minnesota	0	1	0
New York	0	1	0
Oklahoma	0	1	0
Tennessee	0	1	0
Total	0	8	0

We began offering franchises on April 7, 2025. Accordingly, we had no franchisees as of our fiscal year ending December 31, 2024; no franchisees had a Franchise Agreement terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the year ending December 31, 2024; and there were no franchisees who had not communicated with us within ten weeks of the 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.

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement agreement or other contract within the last three years that would restrict their ability to speak openly about their experience with the Service Experts business.

As of the date of this disclosure document, we have not created, sponsored, or endorsed any franchisee organization associated with the franchise system, and there are no independent Service Experts franchisee associations in existence.

Item 21**Financial Statements**

Exhibit I to this disclosure document contains:

1. Our audited financial statement as of December 31, 2024; and
2. Our unaudited balance sheet as of May 31, 2025 and unaudited income statement for the five-month period ending May 31, 2025.

Because Service Experts Franchising LLC was organized on October 25, 2024, we do not have available and cannot yet include the three full years of audited financial statements otherwise required by the FTC Franchise Rule. Our fiscal year ends on December 31st.

Item 22**Contracts**

The following agreements are attached to this disclosure document:

Exhibit A	Franchise Agreement (including Personal Guarantee, Data Sheet, Additional Service Addendum, Telephone Number and Internet Agreement, and Confidentiality and Non-Compete Agreement) and Conversion Addendum
Exhibit B	Letter of Intent, Asset Purchase Agreement, Refranchise Addendum, and Transition Services Agreement for Sale of Company-Owned Center
Exhibit C	Promissory Note and Security Agreement for Acquisition of Conversion Franchise
Exhibit D	Promissory Note and Guaranty for Financing of Initial Fee
Exhibit K	State-Specific Disclosures and Contract Addenda
Exhibit L	Sample of General Release

Item 23**Receipts**

The last two pages of this disclosure document are two identical receipt pages to acknowledge that you received this entire document (including the Exhibits). Please keep one copy along with this disclosure document, and please sign and date the other copy and send that signed and dated receipt to us.



FRANCHISE AGREEMENT

Agreement Date: _____

Full Legal Name of Franchisee: _____

Type of Business Entity (check one): ☐ Limited Liability Company
☐ Corporation (C Corp or S Corp)
☐ Limited Partnership
☐ Other _____

State in which organized: _____

Employer Identification Number: _____

Shareholder/Partner Name(s):	Ownership Percentage:
------------------------------	-----------------------

_____	_____ %
Principal Owner	

_____	_____ %
-------	---------

_____	_____ %
-------	---------

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FRANCHISE AGREEMENT

This Agreement is entered into as of the Agreement Date shown on the cover page between Service Experts Franchising LLC, a Delaware limited liability company, and the individual or company identified on the cover page ("**Franchisee**"). If Franchisee is a corporation, partnership or limited liability company, the owner(s) of Franchisee are identified on the cover page.

In this Agreement, "**we**", "**us**", "**our**" and "**SEF**" refer to Service Experts Franchising LLC, the franchisor. "**You**" and "**your**" refer to the Franchisee. "**Owners**" means the person(s) identified on the cover page and all other persons whom we subsequently approve to acquire an interest in the Franchisee. "**Principal Owner**" means the person designated as the Principal Owner on the cover page.

1. DEFINITIONS

The terms defined in this Section 1 have the meanings set forth below. Other capitalized terms used in this Agreement are defined where they first appear within the text.

1.1. "Agreement Date" means the Agreement Date shown on the cover page of this Agreement.

1.2. "Approved Location" means the street address or specific site that we have approved for the business office of the Franchised Business, as shown in the Data Sheet.

1.3. "Additional Services" means services other than HVAC Services and Water Heater Services that SEF expressly authorizes you to offer through the Franchised Business pursuant to Section 2.3 of this Agreement. Additional Services could include, but are not limited to, plumbing, electrical, solar, batteries, EV chargers, and other services that SEF's affiliates provide in other markets.

1.4. "Authorized Services" means, collectively, HVAC Services, Water Heater Services, and such Additional Services, if any, as SEF has expressly authorized you to offer.

1.5. "Brand Fund" means the fund to which you will contribute to support development and recognition of the Service Experts brand and the Franchised Centers generally, as more fully described in Section 7.2.

1.6. "Centers" means, collectively, Company-Owned Centers and Franchised Centers.

1.7. "Company-Owned Centers" means Service Experts businesses owned and operated by SEF or its affiliates.

1.8. "Confidential Information" means all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you obtain by virtue of this Agreement or any activities under this Agreement, including but not limited to: (i) methods, techniques, specifications, standards, policies, and procedures relating to the operation of Service Experts businesses; (ii) future marketing plans, promotional programs, and lead generation programs for the brand; (iii) Customer Data, as defined in Section 1.9; (iv) the identity of and terms of service for Key Account customers; (v) sales, operating results, financial performance, and other non-public financial information about us, our affiliates, Company-Owned Centers, or Franchised Businesses; (vi) our and our affiliates' territorial development strategies; (vii) the System Standards, the Brand Standards Manual, and the contents of our training programs and materials; (viii) vendor lists, pricing, terms of purchase, and other information concerning the selection and sourcing of products, services, technology, equipment and supplies for Service Experts businesses; (ix) inventory requirements and specifications; (x) future technology plans and upgrades; (xi) marketing studies, surveys, and cost studies; and (xii) research and development, testing programs, test results, and feasibility studies.

1.9. “Customer Data” means all information about persons or entities who are doing business with, have done business with, or are known to be considering doing business with the Franchised Business, including contact information, transaction history, customer service requests, and any other information we specify.

1.10. “Data Sheet” means Appendix A to this Agreement, which collects certain details specific to Franchisee and this Agreement.

1.11. “Franchised Business” means the Service Experts business that you operate under this Agreement at and from the Approved Location.

1.12. “Franchised Centers” means your Franchised Business plus all other SERVICE EXPERTS franchises then operating.

1.13. “Gross Revenue” means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit, less any bona fide refunds given to customers in the ordinary course of business. For greater certainty, Gross Revenue includes revenue from insurance and government programs and revenue from any services performed using any portion of the System, the Licensed Marks (such as service vehicles, invoices, and uniforms bearing the Licensed Marks), the Confidential Information, any employees of the Franchised Business, or the telephone number of the Franchised Business (whether or not the products or services were approved by SEF). “Gross Revenue” shall not be reduced on account of any payments you make to subcontractors or any fees or commissions you pay to third parties who refer customers. “Gross Revenue” does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Revenue” as circumstances, business practices, and technology change.

1.14. “HVAC Services” means air conditioning and heating system maintenance, repair, and equipment replacement services, ductwork service, and indoor air quality services.

1.15. “Improvement” means any change, idea, innovation, concept (including any advertising slogan or idea), product, process, or improvement that may enhance or improve the System.

1.16. “Key Account” means a customer with whom SEF enters into an agreement for delivery of services at multiple locations of the customer or its brand.

1.17. “Key Person” means the individual who is responsible for the day-to-day operational performance of the Franchised Business and who has the authority to bind Franchisee in all decisions regarding the Franchised Business. The initial Key Person is named in the Data Sheet.

1.18. “Licensed Marks” means the logo shown on the cover page of this Agreement and all other trademarks, service marks, logos, and commercial symbols that we expressly designate for use in connection with the Authorized Services from time to time.

1.19. “Opening Deadline” means the date specified in the Data Sheet by which you are required to have the Franchised Business open and operating.

1.20. “Operations Manual” means, collectively, the manuals, handbooks, training materials, electronic files, video or audio recordings, and other media containing the System Standards, as modified by SEF from time to time.

1.21. “System” means, collectively, the know-how, standards, specifications, sales process, and operating procedures we and our affiliates have developed for Service Experts businesses. The distinctive

elements of the System include, but are not limited to: the types of services and products offered to customers; our specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing techniques; our customer relationship management system and service standards; the exterior and interior image and design of service vehicles and business premises; and the accumulated experience reflected in our franchisee training program and instructional materials.

1.22. “System Standards” means our required and recommended specifications, methods, techniques, policies and procedures for the establishment and operation of Service Experts businesses.

1.23. “Territory” means the geographic area we assign to the Franchised Business, consisting of one or more of the territories defined by our mapping system. The Territory is shown in the Data Sheet and/or in a map attached to the Data Sheet.

1.24. “Water Heater Services” means water heater repair and replacement services.

2. RIGHTS GRANTED

2.1. Grant of Franchise. SEF grants you the right, and you undertake the obligation:

2.1.1 To operate the Franchised Business within the Territory;

2.1.2 To use the Licensed Marks and the System solely in connection with the provision of Authorized Services through the Franchised Business; and

2.1.3 To provide the Authorized Services solely from the Approved Location and from service vehicles clearly branded as SERVICE EXPERTS vehicles.

You have no right or power: (i) to use the Licensed Marks or the System in any manner except as expressly authorized by us; (ii) to sublicense or grant anyone else rights to use the Licensed Marks or the System; or (iii) to subdivide or partition the Territory. You are prohibited from subcontracting any customer jobs to others unless pre-approved by SEF in writing. You understand that the authorized services of other Centers will or may differ from your Authorized Services and that you receive no rights to any services or associated Licensed Marks by virtue of any rights granted to others.

2.2. Territorial Protection. While this Agreement is in effect, and except as otherwise provided in Section 2.3, Section 2.4, or elsewhere in this Agreement or an addendum, SEF will not itself provide, or license any person other than you to provide, HVAC Services under the Licensed Marks from premises or service vehicles within the Territory. Except as specifically provided in the previous sentence, SEF and its affiliates may engage in and franchise any business activities (including, for greater certainty, Water Heater Services), under any name, in any geographic area and at any location, including within the Territory, including marketing via the Internet, mobile networks, or any other electronic means. In addition, the territorial protection will not apply at any time when you are in default under this Agreement beyond any applicable cure period.

2.3. Additional Services. SEF may authorize you to offer Additional Services in the Territory from time to time. Each Additional Service will be offered by means of an addendum in the form of Appendix B to this Agreement. The Additional Service Addendum will include the Licensed Mark(s) designated for the Additional Service and any additional or revised contract terms and conditions for the Additional Service. This Agreement, as modified and supplemented by the Additional Service Addendum, will govern Franchisee’s delivery of that Additional Service. The following general provisions will also apply:

2.3.1 We may establish reasonable eligibility criteria for franchisees to offer an Additional Service. If and when you are authorized and once you sign the Additional Service Addendum, you must use best efforts to sell the Additional Service in the Territory. You must pay any start-up costs, franchise fees, training fees, and other fees and expenses associated with the Additional Service, which may include

technology licensing fees, equipment and material costs, charges for marketing materials, and other expenses.

2.3.2 For each Additional Service, the territorial protection for the Additional Service will be the same as for HVAC Services in Section 2.2 and the rules for activities of the Additional Service outside of the Territory will be the same as for HVAC Services under Section 2.5.

2.3.3 You must continuously meet SEF's eligibility requirements for ongoing participation in the Additional Service, which are subject to change by SEF from time to time and may include, among other criteria, reasonable revenue growth and market penetration levels for the Additional Service. You agree to follow all System Standards and operational procedures for the Additional Service set out in the Operations Manual from time to time.

2.3.4 If we notify you that the Franchised Business is not in compliance with the obligations in Section 2.3.3 and you do not come into full compliance within a reasonable time (which will not be less than 30 days), SEF will have the rights to: (i) revoke your authorization for the Additional Service; and/or (ii) permit a Company-Owned Center or another franchisee to offer and sell the Additional Service in the Territory instead of or in addition to you. You will not be entitled to any compensation if this happens, and you agree to assist with the transition in a professional manner.

2.3.5 SEF has the right to update the Licensed Marks and contract terms applicable to specific Additional Services by notifying franchisees of the change through the Operations Manual at least 30 days before the change is to take effect. Unless otherwise specified, the change to the applicable addendum will apply to jobs on your service schedule at the time the change takes effect. If you object to the change, you can terminate participation in the affected Additional Service by written notice to SEF. If you do not terminate before the time when the change takes effect, you will be deemed to have accepted the change.

2.4. Rights Reserved by Us. The circumstances described in this Section are either exceptions to or clarifications of your territorial protection under Section 2.2. Regardless of the proximity to or effect on your Franchised Business, we and our affiliates have the rights:

2.4.1 To operate, franchise, and license others to operate Service Experts Centers and other businesses under the Licensed Marks and System at any location outside of the Territory;

2.4.2 To engage in advertising, promotion, and solicitation of customers within and outside the Territory by any means, including online and mobile technology and call centers, provided that we refer customer leads for Authorized Services in the Territory to you as provided in Section 7.8;

2.4.3 To complete any customer job that you turn down or cancel for any reason;

2.4.4 To develop, manufacture, have manufactured, advertise, market, sell and distribute goods or services through distribution channels other than the Centers, even if the goods and services are identical or similar to those provided by the Franchised Business and even if they use the Licensed Marks. Other channels of distribution may include, for example, the Internet, mobile applications, telemarketing, retail stores, and wholesale clubs, both inside and outside the Territory;

2.4.5 To operate, franchise and license others to operate businesses of any kind offering products or services under trademarks or service marks other than the Licensed Marks, anywhere in the world;

2.4.6 To use the Licensed Marks in lines of business other than the Authorized Services, anywhere in the world; and

2.4.7 To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the Centers, and even if they have locations and/or customers in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Service Experts business within the Territory.

2.5. Activities Outside of the Territory. You are prohibited from operating the Franchised Business outside of your defined Territory by any means except as permitted by this Section. Engaging in unauthorized activities outside of the Territory (including but not limited to providing services to customers, advertising for business, making sales calls, or performing demonstrations) is a breach of this Agreement for which SEF may exercise its rights under Section 14. We may condition our consent to out-of-Territory activities on certain requirements, and we may give and withdraw consent as we deem appropriate.

2.5.1 You may not solicit or advertise to potential customers outside of the Territory without our prior written permission. **“Solicit”** includes, but is not limited to, solicitation in person, by telephone, by mail, through the Internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you must notify us in advance and obtain our consent.

2.5.2 If you receive an unsolicited request to provide services outside of the Territory, you must notify us. We generally will approve the services if they would be provided in an area that is not assigned to another Service Experts franchisee or Company-Owned Center and if your Gross Revenue from services performed outside of the Territory does not exceed the maximum in Section 2.5.3. If the requested services would be performed in an area that is assigned to another Service Experts franchisee or a Company-Owned Center, you must refer that request to the Center located in the applicable territory.

2.5.3 If we permit you to advertise, solicit, or provide services in areas outside of the Territory that are not assigned to another Center, you must comply with all conditions and requirements we specify with respect to such activities. The conditions and requirements might include, for example: (i) a maximum on the percentage of your Gross Revenue that may come from services performed outside of the Territory (15% as of the Agreement Date); (ii) your agreement to add capacity in terms of staff and service vehicles; and (iii) your agreement to purchase the franchise rights for the area in which the sales and services are being performed.

2.5.4 If we authorize you to service one or more customer locations outside of your defined Territory, and we subsequently decide to assign a territory that covers the authorized customer location(s) to another Center, we will give you notice and you will be required to cease all activities in that area, except that you may continue service to your then-current customers in the area for a period not to exceed one (1) year, at which point you must comply with our procedures for transitioning the customer accounts to the assigned Center. If you have customer program contracts in force with customers in the area under Section 6.6, you commit to continue service for the length of the contract unless we direct you to transfer the contract to: (i) a new franchisee in that territory; (ii) a Company-Owned Center; (iii) a third party; or (iv) us. You will not be entitled to any compensation if this happens and you agree to assist the incoming Center with the transition in a professional manner. Delaying or interfering with the transition is a breach of this Agreement for which SEF may exercise its rights under Section 14.

2.5.5 Under no circumstances will we be liable to you for violations by other Franchised Businesses of our policies on out-of-Territory activities.

2.6. Key Accounts. SEF may from time to time enter into agreements to provide services to Key Accounts on a national, regional, or other multi-territory basis. We have sole discretion whether to designate a particular customer as a Key Account, the manner of negotiation of each Key Account agreement, the terms and conditions of that agreement, and the allocation of the Key Account business among the Centers. In the case of an agreement under which the Key Account customer will pay a fixed amount for services at all locations listed in the agreement, we will allocate the fixed amount among the Centers performing the

services. You may not enter into any relationship with a Key Account that, in our reasonable judgment, conflicts with our arrangement with the Key Account.

2.6.1 Our negotiation of Key Account arrangements, if any, enhances the potential value of the Service Experts brand and inures to the benefit of your Franchised Business as well as to the benefit of other Centers. Accordingly, you agree to accept and perform the terms of Key Account agreements (which may include, among other things, special pricing, a revenue share, commissions, centralized invoicing, special payment terms, extra insurance, and customized timing of services) within the Territory. If you refuse to perform the required services or we determine that the Franchised Business is not qualified, interested, able or available to perform the services, you agree that another Service Experts Center may enter the Territory to perform the services for the Key Account. This right is an exception to your territorial protection in Section 2.2.

2.6.2 If you repeatedly fail to comply with the rules and regulations that we may issue from time to time for the Key Account program, we have the right to suspend your participation and authorize other Centers to deliver services in the Territory during the period of your suspension. This right is an exception to your territorial protection in Section 2.2.

2.7. No Other Sales Channels. You may not offer services or products of the Franchised Business at wholesale or through any other channel that we have not expressly approved in writing.

3. AGREEMENT TERM

This term of this Agreement expires 10 years from the Opening Deadline (the “**Expiration Date**”). You agree to operate the Franchised Business for the full Agreement term. You will have an opportunity to renew the franchise rights when the term expires, subject to the terms of Section 18 and provided that you meet the conditions in that Section.

4. PRE-OPENING

4.1. Approved Location. You must operate the Franchised Business from the Approved Location. If this Agreement is for a start-up franchise with no pre-existing facility, the Approved Location can be your home for the first six months of operation, by the end of which you must move to a commercial location. The initial Approved Location is identified in the Data Sheet. You cannot change the Approved Location without our prior written consent. If you apply to relocate, we may charge you a relocation fee as specified in the Data Sheet, but we will not charge a fee for relocating from your home to a commercial location. Any proposed relocation must be to a site within the Territory. Unless otherwise agreed in writing, changing the Approved Location does not change the Territory.

4.2. Lease Review. Before you enter into a lease, sublease or purchase agreement for a commercial site to serve as the Approved Location, you must obtain our approval of the proposed lease, sublease, or purchase agreement. We have the right to condition our approval on the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement.

4.3. Permits and Licenses. You must obtain all contractor licenses, business licenses, zoning classifications, and other permits that may be required by federal, state, or local law or by your landlord for the Franchised Business to begin operating at the Approved Location.

4.4. Business Assets. You must follow the System Standards in preparing your Franchised Business to open. The System Standards may require, among other things, structural changes to your business premises; new or modified service vehicles, equipment, signs, fixtures and furnishings; interior and exterior remodeling and redecoration; installation of new technology and/or additions and upgrades to existing technology; and resurfacing of parking areas. You must notify us of the anticipated completion date and provide updates as requested during the pre-opening phase. During the pre-opening period, you must

permit our representatives to inspect the premises at reasonable times. We may specify further pre-opening details in the Brand Standards Manual.

4.5. Pre-Opening Marketing. You must conduct pre-opening marketing as specified in Section 7.3.

4.6. Approval to Open. You may not open the Franchised Business for business until we notify you that: (1) pre-opening training of your personnel has been completed as required by Section 5.1; (2) we have been furnished with copies of all certificates of insurance required by Section 10 and all trade licenses required by Section 4.3; and (3) all of your pre-opening obligations in this Section 4 have been fulfilled.

4.7. Opening Deadline. You must open the Franchised Business to the public by the Opening Deadline. If you request an extension of the Opening Deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to \$1,000 per month of extension.

4.8. Opening Support. We will provide such opening support and assistance for the Franchised Business as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Centers, we will advise you of any additional fee and expected expenses before you commit to the additional support.

5. TRAINING

5.1. Initial Training. The Principal Owner, the Key Person (if different from the Principal Owner), and up to two other individuals designated by SEF must attend and successfully complete SEF's initial training program for new Service Experts franchisees. We alone have the right to judge whether a person has successfully completed the training program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We have the right to vary the duration and content of initial training based on the trainee's prior experience in similar businesses. We will have the right to terminate this Agreement under Section 14 if, at any time during the pre-opening training program, we conclude in our sole judgment that the Principal Owner or Key Person does not meet our standards for new SERVICE EXPERTS franchisees.

5.2. Additional Training. Your personnel must complete up to five days of refresher training each year. We may make available other required and optional training programs from time to time. For training that we designate as required, the individuals that we designate must successfully complete the training.

5.3. Training Methods. We have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine. The training may be delivered by us, our affiliates, or third parties.

5.4. Training Fees. We may charge a training fee up to the amount shown in the Data Sheet: (a) for additional trainees that you request in excess of the maximum number we designate for a training program; (b) if we require remedial training as a result of your failure to comply with our System Standards; (c) for re-training persons who are repeating a training program, or their substitutes; and (d) for training programs that we make optional for franchisees.

5.5. Training Expenses. For all training, including initial training, you are responsible for all travel expenses, living expenses, wages, and other expenses incurred by your trainees. If you request in-person training at any location other than our headquarters, you may be required to pay the reasonable travel, meal and lodging expenses of our trainer(s).

5.6. Employee Training. Except to the extent we require or permit your personnel to participate in training under Sections 5.1 and 5.2 above, you are responsible for all training of your employees and contractors, including any third-party training required for certification of service technicians.

5.7. Conferences and Meetings. We may require the Principal Owner, Key Person and other personnel to attend business conferences and meetings that we designate from time to time. However, we will not require attendance for more than three days per year in the aggregate. These may include conferences and meetings that we organize for all Franchised Centers or for subgroups, as well as industry conferences and meetings organized by third parties. You agree to pay reasonable registration fees charged for such conferences and meetings. If your Key Person does not attend any required conference, you must pay a non-attendance fee of \$1,000. You will also be responsible for all other costs for your personnel to attend, including travel, room and board, and your employees' wages, benefits and other expenses.

6. OPERATION OF THE FRANCHISED BUSINESS

6.1. Compliance with System Standards. In order to protect the reputation and goodwill of the Service Experts brand and to maintain high standards of operation under the System, you agree to comply strictly with all mandatory System Standards. The System Standards may relate to any aspect of the appearance, marketing, and operation of the Franchised Business. Any material failure to comply with mandatory System Standards will constitute a material breach of this Agreement. However, we reserve the right to make reasonable exceptions to accommodate special circumstances of individual franchisees. The System Standards do not constitute a representation or warranty by SEF, express or implied, as to the quality, safety, or suitability of any services performed by the Franchised Business.

6.2. Operations Manual. We will furnish you with electronic access to the Operations Manual. We own the copyright in the Operations Manual and any portions in your possession or control are on loan from us and remain our property. We have the right to modify the Operations Manual at any time to reflect changes in the System Standards. In the event of a dispute about the contents of the Operations Manual, the master copy at our principal office takes precedence. The Operations Manual and any credentials necessary to access digital versions of the Operations Manual are part of the Confidential Information.

6.3. Management. The Franchised Business must at all times be under the day-to-day supervision of the Key Person. We have the right to rely on any statement, agreement, or representation made by the Key Person. If the Key Person leaves your organization, you must nominate a replacement within thirty (30) days thereafter. If you have not obtained our approval of a replacement within ninety (90) days, you will be in material default of this Agreement.

6.4. Branding. You must identify and operate the Franchise Business only under the SERVICE EXPERTS brand or, at SEF's sole discretion, using another SEF-approved business name tagged with "A Service Experts Company".

6.5. Approved Services and Products. For each Authorized Service, you must offer customers all services and products that we designate from time to time in the Operations Manual as required items. The required items may include specified customer programs, as provided in Section 6.6. You may also offer any optional services and products that we have designated in the Operations Manual as approved for the Authorized Services. You are prohibited from offering any unapproved products or services without our prior written consent. You must discontinue selling or offering for sale any products or services that we disapprove at any time, in our sole discretion. You must focus the Franchised Business on residential maintenance, repair and replacement customers, but you may also provide services to light commercial and residential new construction customers, provided that your Gross Revenue from light commercial and residential new construction does not exceed 10% of your total Gross Revenue for the previous twelve months. If you request an increase in this percentage, we will review the request on a case-by-case basis taking into consideration the information we deem relevant, but the percentage cannot be modified with our prior written approval.

6.6. Customer Programs. You are required to make available to each customer the programs we specify from time to time. The required customer programs as of the Agreement Date are set out in the Data Sheet. We will publish any changes to the required customer programs in the Operations Manual. You must comply with the terms of each customer program for all customers who choose to participate.

6.7. Licenses and Certifications. Your technicians and other personnel must have all licenses, certifications, industry experience, and other qualifications that may be required by law or industry practice or would be generally expected by customers to provide the approved products and services. You may not permit any unlicensed or uncertified individual to provide products or services for which a license or certification is required by law or generally expected by customers. You must provide to us, within 10 days after you receive them and at any other time on our request, true and correct copies of all government licenses and industry certifications and any correspondence related to expirations or denials of such licenses and certifications.

6.8. Technology Requirements. We have the right to specify the point-of-sale (POS) system, customer relationship management (CRM) system, accounting system, call handling system, scheduling system, electronic payment system, back-office system, cloud storage system, security systems, audio/visual equipment, GPS tracking system, and other hardware, software applications, devices, and network connectivity for the Franchised Business. You agree to sign any standard license agreement or user agreement that may be required to use a system that we specify. You must use the required systems for customer services, reporting Gross Revenue and other information, training your personnel, and other functions as we specify from time to time. You must ensure that your employees are adequately trained to use the systems and that they follow applicable policies. You must maintain your technology systems in good working order at all times and promptly install upgrades, additions, modifications, substitutions and/or replacements of hardware, software, connectivity, power, and other system components as necessary. You agree to bear all costs of acquisition, installation, use, maintenance and upgrade of your systems.

6.9. Franchisee Portal. We have the right (but no obligation) to establish one or more websites and/or mobile applications that are open only to Franchised Centers (the “**Franchisee Portal**”). If we do so, you must use the Franchisee Portal for reporting, training, ordering merchandise and supplies, or other purposes as we direct.

6.10. Sourcing. We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, payment systems, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Operations Manual or Franchisee Portal. We and our affiliates will earn revenue and profits on sales that we make directly to you. We may negotiate purchasing arrangements under which vendors agree to make goods or services available to Franchised Businesses on specific terms. You agree to participate in and abide by the terms of any vendor purchase program we establish. Subject to applicable law, we may earn money in the form of rebates, licensing fees, administrative fees, commissions, or other payments from vendors based on your purchases. Subject to applicable laws and our arrangements with the vendors, we have no obligation to share the funds with you.

6.11. Inventory. You must keep a sufficient inventory of products and supplies in the Franchised Business to meet the System Standards (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

6.12. No Liability for Others' Products. We use commercially reasonable efforts in selecting approved products and vendors for the Centers. We disclaim all express and implied warranties and all other liability concerning any defects, malfunctions, or other deficiencies in equipment or other products manufactured by anyone other than us or our affiliates. You agree not to make any claims against us or our affiliates with respect to products that we and our affiliates did not manufacture, even if we or our affiliate

sold you the product or designated or approved its source. You must assert any claims directly against the manufacturer of the product, even if you obtained it through us or our affiliate.

6.13. Pricing and Promotions. To the extent permitted by applicable law where the Franchised Business is located, we have the right to establish maximum and/or minimum prices that you must follow for the services and products sold by the Franchised Business. You must participate in and comply with any special promotional activities that we prescribe for Franchised Centers generally or for Franchised Centers in specific geographic areas or having particular characteristics. You acknowledge that these activities may include special pricing offers. You agree to bear your own costs of participating in these activities.

6.14. Payment Systems and Customer Retention Programs. You must comply with our policies regarding acceptance of customer payments by credit and/or debit cards, mobile payment systems, bank transfer, non-bank digital payments, and consumer financing programs. You must also participate in any customer loyalty programs we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Franchised Business without our prior written approval. The payment systems and loyalty programs we designate may require you to obtain new hardware, software, equipment and training at your own expense.

6.15. Hours of Operation. You must keep the Franchised Business open and in normal operation for the minimum hours and days specified in the Operations Manual (subject to applicable laws). We have the right to vary the minimum hours and days of operation by market, type of facility, or other basis. We also have the right to require franchisees to make arrangements satisfactory to us for 24/7 emergency service to customers.

6.16. Telephone Numbers and Internet Listings. You must obtain one or more separate telephone numbers that are identified with the Franchised Business and no other business. Simultaneously with signing this Agreement, you must sign the Telephone Number and Internet Agreement attached as Appendix C, authorizing us to effect a transfer to us of the telephone numbers and online listings for the Franchised Business upon expiration or termination of this Agreement. We may require that telephone numbers and electronic identities you use in connection with the Franchised Business be owned and controlled by us or an approved vendor. Additionally, we may require that specific advertising campaigns use a unique telephone number for marketing efficiency and performance tracking.

6.17. Incoming Calls. You must use the telephone system we designate in the Operations Manual from time to time for telephone calls to the Franchised Business. We may offer to provide Franchised Centers with an answering service for a fee, but we have no obligation to do so. We reserve the right, on reasonable notice, to require Franchised Centers to use a designated call center vendor, which may be SEF or an affiliate, and for which you must pay a commercially reasonable fee.

6.18. Upkeep of Business Assets. You must keep the equipment, vehicles, signs, and other tangible assets used in the Franchised Business in a clean, orderly condition and in excellent repair and condition, at your own expense. At our request, you must provide us copies of any report of inspection of the Franchised Business conducted by a vendor or government agency.

6.19. Remodeling. You must remodel your business premises periodically to conform to our then-current System Standards for a new Franchised Center. We will not require remodeling more often than once every five (5) years. Remodeling may require expenditures for, among other things, new or upgraded technology; replacement or renovation of furnishings, fixtures, equipment, and signs; interior and exterior painting, flooring and redecoration; and upgrades to restrooms and visitor amenities. The remodeling obligation in this section is separate from and does not limit your obligations in any other Section of this Agreement or in your lease.

6.20. Business Forms. To the extent SEF designates forms of customer contracts, warranties, liability waivers, and/or other materials to be used in the marketing and operation of the Franchised Business, you must use only the designated items. We make no warranty or representation that any contracts, waivers and/or other forms and/or materials supplied by SEF are in compliance with the laws of

your state or locality. It is your responsibility to have all customer contracts, warranties, waiver forms, and other business forms, including any templates or sample forms from SEF, reviewed for compliance with applicable state and local legal requirements, at your own expense, by an attorney licensed to practice law in the state(s) where you operate the Franchised Business.

6.21. Performance Requirements. You agree to exert best efforts to promote and enhance the performance of the Franchised Business and the goodwill of the Licensed Marks. In addition to the foregoing general obligation, you must achieve the minimum performance requirements set forth in the Data Sheet (the “**Minimum Performance Requirements**”). If you do not achieve the Minimum Performance Requirements, we will have the right to require you to implement a performance improvement program, as we specify, which may include, among other things, completing refresher training and engaging in specified marketing activities. If you still do not achieve the Minimum Performance Requirements after implementing the performance improvement program, we will have the right to: (i) reduce the size of the Territory (with a corresponding adjustment in the Minimum Performance Requirements if the reduced Territory falls below our then-current standard territory size); or (ii) terminate this Agreement. The Minimum Performance Requirements are not a representation or guarantee of the results your Franchised Business or any Franchised Center will or might achieve. Any revenue you generate from outside of your Territory will not count toward the Minimum Performance Requirement for the Territory.

6.22. Inspections. You must give our representatives reasonable access to all facilities and operations of the Franchised Business during normal business hours for the purpose of conducting inspections. We have the right to review customer and financial records, to observe, photograph and record operations, to remove samples of goods, materials and supplies for testing and analysis, and to interview your customers, employees, and vendors. You must provide assistance as reasonably requested by our representatives. Upon notice from us, you must begin any steps necessary to correct deficiencies noted during an inspection.

6.23. Standards Assessments. We assess franchisees’ compliance with System Standards by means of, among other things, customer satisfaction surveys and Net Promoter scores, mystery shopper reports, employee satisfaction and perception surveys, and third-party observation of your operations. You must cooperate with these assessments as we reasonably request. If you do not achieve the minimum score or standard that we prescribe for a specific category, we may require your personnel to complete additional training at a location we designate, at your expense. If you do not achieve the prescribed minimum score or standard on two consecutive assessments or on three or more assessments in any five (5) year period, we will have the right to terminate this Agreement under Section 14.1.

6.24. Employer Responsibilities. You must maintain staffing sufficient to enable the Franchised Business to meet the System Standards. You have sole responsibility for all employment decisions and functions relating to the Franchised Business, including but not limited to decisions related to recruiting, screening, hiring, firing, scheduling, training (other than the training in Section 5), compensation, benefits, wage and hour requirements, recordkeeping, supervision, safety, security and discipline of employees. Except for any safety requirements we specify in the Operations Manual, any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and not intended to exercise control over the wages, hours or working conditions of your employees or the means and manner by which they carry out their duties. We may offer you optional recruiting programs which require a fee if you choose to participate. You alone will direct and control all employees of the Franchised Business, subject only to the System Standards that we prescribe to protect the goodwill associated with the Licensed Marks, which may include the requirement that you conduct initial and periodic drug testing and background checks. You must clearly inform all workers, before hiring and periodically thereafter, that Franchisee, and not SEF or its affiliates, is their employer and that SEF and its affiliates do not assume and will not accept any employer, co-employer, or joint employer obligations.

6.25. System Changes. We reserve the right to modify the System from time to time (such as, but not limited to, by adding, deleting, and changing approved products or services, equipment, operating procedures, and System Standards). You agree to comply at your own expense with all such modifications,

including without limitation any associated replacement or renovation of equipment, remodeling, redecoration, modifications to existing improvements, and structural changes. However, in any given year, we will not require you to spend on System modifications more than an amount equal to 15% of your initial investment in the Franchised Business, and in any 5-year period, we will not require you to spend more than an amount equal to 35% of your initial investment in the Franchised Business. Any expenditures required by this Section are separate from those required under Sections 6.18 and 6.19.

6.26. Compliance with Lease. You must comply with all terms of the lease or sublease for the Approved Location and all other agreements affecting the operation of the Franchised Business. You must use best efforts to maintain a good working relationship with your landlord and refrain from any activity that may jeopardize your right to remain in possession of the Approved Location.

6.27. Compliance with Laws. You must operate the Franchised Business in compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances, including maintaining all regulatory licenses. You have sole responsibility for compliance despite any information or advice that we may provide.

6.28. Taxes and Indebtedness. You must promptly pay when due all taxes and all accounts and other indebtedness you incur in the operation of the Franchised Business. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but you may not permit a tax sale or seizure or attachment by a creditor against the Franchised Business.

7. MARKETING AND ADVERTISING

7.1. Purpose. You and SEF agree on the importance of standardization of marketing and advertising programs to the goodwill and public image of the System, the Licensed Marks, and Franchised Centers generally. Our rights in this Article 7 to oversee advertising, marketing and public relations programs are designed to support that goal.

7.2. Brand Fund. You must contribute to the Brand Fund as provided in Section 8.3. The purpose of the Brand Fund is to support general recognition of the Centers, products, services and brand. The Brand Fund will operate as follows:

7.2.1 We will have the right to direct all advertising, marketing, public relations, and other activities to promote, develop and enhance the Service Experts brand, with final discretion over strategic direction, creative concepts, the materials and endorsements to be used, and the geographic distribution and media placement. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, direct mail, and media advertising; marketing and sales training; conducting public relations, consumer research, product development, product testing, and test marketing programs; purchasing promotional items; sponsorship of sporting, charitable, or similar events; developing and implementing trade dress and design prototypes; fulfillment charges; salaries and expenses of employees of SEF and its affiliates who work for or on behalf of the Brand Fund; employing advertising agencies, design firms, public relations firms, accounting firms, and consultants; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

7.2.2 We will make available to you any creative materials financed by the Brand Fund. If you request specific materials to be produced or customized for you, then once you approve the requested materials, you agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

7.2.3 We are not obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportional to your contributions, or to ensure that any particular franchisee or Franchised Center benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to the Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

7.2.4 We are not required to have an independent audit of the Brand Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 90 days after the close of our fiscal year to franchisees who make a written request for a copy.

7.2.5 We have the right to incorporate, replace, change or dissolve the Brand Fund. If we decide to dissolve the Brand Fund, contributions will cease but the Brand Fund will continue in existence until all remaining funds have been spent.

7.2.6 Nothing in this Agreement is intended or will be construed to impose a trust or fiduciary duty on SEF in connection with the Brand Fund, including, but not limited to, with respect to the collection of contributions, maintenance of the bank account, bookkeeping, and disbursement of monies from the Brand Fund. Except as expressly provided in this Section 7.2, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Brand Fund.

7.3. Pre-Opening and Grand Opening Marketing. You must conduct pre-opening and grand opening marketing for the Franchised Business according to a plan that you will create, subject to our approval. You must spend at least the amount specified in the Data Sheet to implement the pre-opening/grand opening marketing plan. We reserve the right to require you to deposit with us some or all of the funds required under this Section, which we will distribute as necessary to carry out the approved plan.

7.4. Local Marketing. You must spend at least the amount specified in the Data Sheet for local advertising and promotion of the Franchised Business ("**Local Marketing**"). This is in addition to your obligations under Sections 7.2 and 7.3. We have the right to specify that you pay Local Marketing funds to us, our affiliate, or a third party vendor. With respect to all Local Marketing funds you pay to a third party, you must provide us with expense statements evidencing compliance with the Local Marketing spend requirements. All Local Marketing must be approved by us pursuant to Section 7.6 below. You must be listed in Internet profiles, online directories and telephone directories as we designate.

7.5. Joint Marketing Programs and Cooperatives. We have the right to organize: (1) co-marketing programs in which Franchised Centers and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Centers contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Franchised Centers in a geographic area or with common characteristics on an ongoing basis to jointly promote the Licensed Marks and the Franchised Centers. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative will be credited to your obligation for Local Marketing under Section 7.4 or, at our option, to your Brand Fund obligation under Section 8.3, or any combination of the two. You must participate in each applicable joint marketing program and comply with the rules of the program. If an existing Cooperative applies to your Franchised Business at the time it opens, you must immediately become a member of the Cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you must become a member no later than thirty (30) days after the date we approve for the Cooperative to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

7.6. Approval Requirement. All proposed advertising and promotional plans and materials that you intend to use must meet our standards and specifications and be submitted to us for approval at least thirty (30) days before their intended use. You must use the method(s) we specify to submit materials for approval. You do not have to submit samples of plans or materials that we prepared or that we approved within the last twelve (12) months unless we have communicated to you that they are no longer current. If

we have not responded to your proposed advertising plans or materials within fifteen (15) days after your submission of the samples, you may begin using them in the form submitted. All advertising and promotion must be in the media and of the type and format that we approve, conducted in a dignified manner, and conform to our standards.

7.7. Ownership of Advertising and Promotional Materials. SEF and its affiliates own all copyrights and other rights to all existing and future advertising and promotional materials that contain any of the Licensed Marks or that otherwise relate to the Franchised Business, as well as any products, materials, and rights that result from any advertising, marketing, and promotional programs created, purchased, produced or conducted by or on behalf of Franchised Centers, the Brand Fund, or any Cooperative, regardless of who created the materials. No copyrights or other rights or interest in any tangible or intangible materials or in the Licensed Marks will vest in you as a result of any contribution to, or participation in, any advertising, marketing, or promotional program. If you are deemed to have acquired any copyrights, contractual rights or common law rights in any advertising programs or materials, you agree to sign (and to cause your employees and agents to sign) such documents or instruments as SEF may request to effect assignment of such rights to SEF or its affiliates.

7.8. Leads. Except as provided in Section 2.6.1, SEF will refer to you without charge any customer leads for Authorized Services that SEF receives through its website or generates through other marketing activities, provided that SEF is able to determine that the potential service site is located in your Territory. If you do not respond to the potential customer within 1 business day, SEF may itself contact or service the customer and/or refer the customer to a Center outside of your Territory. If you fail to respond to 12 or more leads within any 12-month period, SEF will have the right to remove the Franchised Business from any of SEF's websites and other marketing channels, suspend any local landing pages for the Franchised Business, and/or terminate SEF's referral obligation under this Section 7.8. We may also offer you optional referral programs under which, if you choose to participate, you may be required to pay compensation for the leads and to satisfy response times that differ from those in this Section.

7.9. Solicitation of New Franchisees. We may from time to time develop advertising and promotional materials and displays for the solicitation of prospective franchisees. You agree to display all such materials as required by us from time to time.

7.10. Media Appearances. You shall not make any television or radio appearance, or make any statement to any public media, in connection with the Franchised Business or the Service Experts brand unless you obtain our prior written approval.

7.11. Electronic Marketing and Electronic Communications. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, username, text address, mobile application, or other digital, electronic, mobile or Internet presence that uses or displays any of the Licensed Marks (or any derivative thereof) or that promotes any services or products of the Franchised Business. The use of any digital or electronic medium constitutes advertising and promotion subject to our approval under Section 7.6. You agree not to post or transmit, or cause any other party to post or transmit, advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that we prescribe. You are responsible for ensuring that your employees understand the policies relating to the use of social media and you are responsible for their use of social media in accordance with such policies. We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Licensed Marks or the Franchised Business be registered in SEF's name. For any such accounts that we permit to be registered in Franchisee's name, you agree to provide us with the current login credentials within five (5) days after opening the account or changing the credentials. You agree that we have the rights to: (i) access any social media accounts to take corrective action if the account or any postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of this Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you

have, a website for your Franchised Business (which may be structured as a separate page of a consumer website(s) supported by the Brand Fund).

8. FEES

8.1. Franchise Fee. You must pay us a non-refundable initial franchise fee in the amount shown in the Data Sheet. The initial franchise fee is due when you sign this Agreement.

8.2. Royalty. Beginning at the earlier of the Opening Deadline or when the Franchised Business opens, you must pay us an ongoing royalty fee in the amount shown in the Data Sheet. Unless we designate a different period, the royalty fee will be paid on the schedule shown in the Data Sheet.

8.3. Brand Fund Contribution. You must contribute to the Brand Fund on an ongoing basis the amount shown in the Data Sheet. The Brand Fund contribution will be calculated for the same period and paid in the same manner as the royalty fee.

8.4. Technology Fees. You must pay fees as specified in the Data Sheet ("**Technology Fees**") to support development and operation of websites, email accounts, mobile applications, social media, software, databases, portals, help desks, and other technology and communications channels. The specific services and apps and the applicable fees will vary over time. The fees may be payable to us, directly to vendors, or a combination. Unless we designate a different period, the technology fees will be paid on the schedule shown in the Data Sheet. We can revise Technology Fees at any time on reasonable notice, which need not be more than thirty (30) days. Any such revisions will be subject to the formula and/or limits stated in the Data Sheet.

8.5. Service Deficiency Reimbursements. If a customer of the Franchised Business complains to us that your services were deficient and we determine, after discussion with you, that there is merit to the customer's complaint, we reserve the right to perform or cause to be performed services to the customer's satisfaction or to reimburse the customer for any money the customer may have paid for the deficient services. You must promptly reimburse us for any costs we incur to perform the services or to reimburse the customer.

8.6. Payment Method. For all amounts payable to us, you must use the payment method(s) that we designate from time to time. If we require payment by Automated Clearing House (ACH) or electronic funds transfer, you must designate an account at a commercial bank of your choice (the "**Account**") from which we are able to make transfers. You agree to complete and submit to us an authorization for electronic funds transfer in the form that we or your financial institution may require. You agree to maintain sufficient funds in the Account to cover the amounts payable to us. If funds in the Account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue. Additionally, if the electronic funds transfer payment request is returned due to insufficient funds, you must pay us a fee equal to the greater of: (a) \$50 or (b) the amount the bank charges us due to the insufficient funds. If we permit you to pay with a credit card, you agree to reimburse us for the resulting charges we incur, subject to applicable law.

8.7. Late Reports and Estimated Payments. If your Gross Revenue report required by Section 9 is not received when due: (i) all payments owed by Franchisee for such time period shall be deemed overdue until SEF receives the reports, regardless of whether payment was actually made; (ii) you must pay us applicable late fees and interest under Section 8.8; and (iii) we will have the right to estimate Gross Revenue and to draft from your Account the estimated amount due for royalties, Brand Fund contributions, and any other charges that are calculated based on Gross Revenue. When you provide the delinquent report(s), we will reconcile any difference between the estimated amount and the actual charges due for the period.

8.8. Interest and Late Fees. If any payment to us is overdue, you must pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of 12% per annum or the maximum rate permitted by law in the state where the Franchised Business is located, whichever

is less. In addition, we have the right to charge a late fee of \$100 for the second occurrence of a payment or report that is more than thirty (30) days past due, \$200 for the third such occurrence, and \$300 for the fourth and each subsequent occurrence. The late fee is to compensate us for our administrative costs incurred in enforcing your payment and reporting obligations.

8.9. No Set-off; Application of Payments. Your obligation for timely payment of the fees in this Agreement is absolute and unconditional. You have no right to set off, deduct, delay, escrow, or withhold any payment based on our alleged non-performance of any obligations. We can apply payments received from you to royalty fees, Brand Fund contributions, technology fees, purchases from us or our affiliates, interest, late charges, or any other obligation in the order we choose, regardless of any designation you make.

8.10. Taxes. The payments that you are required to make to us pursuant to this Agreement must be the gross amount determined according to the applicable section of this Agreement, without deduction for any taxes, except for any non-resident income taxes that are assessed against us by taxing authorities in the jurisdiction where the Franchised Business is located and that you are obligated by law to withhold (“**Withholding Taxes**”). If you fail to withhold and pay any Withholding Taxes to the appropriate government authority, you must indemnify us and our affiliates for any penalties, interest, and expenses (including legal and accounting fees) resulting from your failure to withhold or to pay the taxes as required by law.

8.11. Inflation Adjustment. We have the right to adjust all fixed dollar amounts in this Agreement annually for inflation using the U.S. Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics (“BLS”). If the BLS no longer publishes this index, then we will designate a reasonable substitute measure.

9. REPORTS, FINANCIAL STATEMENTS, DATA RIGHTS, AND DATA SECURITY

9.1. Business Records and Reports. You must use the platform and field service application we designate pursuant to Section 6.8 to schedule, perform, document, and bill all services performed during every customer visit and to communicate with customers regarding the same. You must input into the designated system complete contact details (including service address, billing address, email address, and phone number) and the associated invoices for all customers and locations you service. You must prepare and preserve for at least five (5) years from the dates of their preparation complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles and in the form and manner we prescribe. These records must be maintained at the Approved Location except as we otherwise allow. We may designate the chart of accounts, the accounting program or platform, and/or the independent accounting firm that Franchised Centers must use, but we may waive some or all of these requirements in circumstances we deem appropriate. You must at our request make available all books, records, tax returns, accounting records, and supporting documents relating to the Franchised Business. Concurrently with each payment of the Royalty Fee, you must send us a report of Gross Revenue for the preceding period and supporting records as we may specify.

9.2. Financial Statements and Tax Returns. Within fifteen (15) days after the end of each calendar month, you must submit a statement of financial condition (a balance sheet) as of the end of the calendar month and a profit-and-loss statement for the month and for the fiscal year-to-date. The financial statements must be certified as correct and complete by the Key Person to the best of the Key Person’s knowledge. At our request, you must submit to us a copy of the federal and state tax returns for the Franchised Business for the most recently filed tax year.

9.3. Parent and Guarantor Financial Statements. At our request, you agree to furnish an annual statement of financial condition for each individual or corporate guarantor of Franchisee’s obligations to us and, if applicable, for each of Franchisee’s direct and indirect corporate parents.

9.4. Access to Your Information Systems. You must give us independent access to (i) the information systems that we require you to use in the operation of your Franchised Business from time to time, and/or (ii) any other information systems that you use to store or process Confidential Information or

to display the Licensed Marks. You must provide us with login credentials if necessary for that purpose. You must maintain an electronic connection with us at all times.

9.5. Right to Examine or Audit. We have the right on reasonable notice to examine and copy, at our expense, the books, records, accounts, and tax returns of the Franchised Business and the personal tax returns of the Owners. We also have the right, at any time, to have an independent audit made of the books and records of the Franchised Business. You agree to cooperate with the persons making the examination or audit. If you or we discover, by means of an audit or otherwise, that there has been an underpayment of royalty fees or other amounts due, you must promptly pay the amount due, together with applicable late fees and interest. Your payment and our acceptance of the overdue amounts will not constitute a waiver of or prejudice our right to exercise any other remedy in this Agreement, including termination.

9.6. Cost of Examination or Audit. If we perform an examination or audit due to your failure to submit reports of Gross Revenue or required financial statements or your failure to maintain books and records as required, or if the cumulative Gross Revenue you report for any period of three consecutive months is more than 2% below the actual Gross Revenue for the period as determined by the examination or audit, then you agree to pay us the cost of the examination or audit, including the travel and lodging expenses for the examiners or auditors. For purposes of calculating the cost, we will use hourly rates for our personnel that are consistent with the rates of mid-level professionals of independent accounting firms.

9.7. Rights to Customer Data. To the extent permitted by applicable law, all Customer Data is deemed to be owned by SEF. We have the right to access all Customer Data, in whatever form existing and wherever maintained. Because we own the Customer Data, we can (subject to applicable law) share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after this Agreement, including for marketing and cross-selling products and services. You have the right to use Customer Data while this Agreement or a Successor Franchise Agreement is in effect, but only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Customer Data for any purpose other than marketing Service Experts services and products. However, if you sell the Franchised Business, you may transfer the right to use Customer Data to the buyer for value.

9.8. Privacy Laws. You must comply with applicable laws pertaining to the collection, use, processing, protection, integrity, transfer of, consumer access to, correction of, and deletion of Personal Information. **“Personal Information”** means any information that, by itself or in conjunction with other information, may be used to specifically identify an individual, such as name, physical address, telephone number, e-mail address, social media accounts, and any other information as defined in applicable law. You must ensure that you collect Personal Information only with the express or implied consent of the individual. Where required by applicable law, you must provide a written privacy notice regarding your collection, use, and sharing of Personal Information and comply with the written privacy policy.

9.9. Data and Network Security. You must implement industry-standard administrative, physical, and technical security measures and devices to protect the Franchised Business, Customer Data, and Confidential Information from unauthorized access, acquisition, loss, destruction, disclosure or transfer. You are responsible for protecting your information systems and devices from computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. This includes best efforts to secure your systems, including but not limited to the use of firewalls, access code protection, anti-virus systems, and backup systems. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws regarding response to the breach. If you accept payment from customers by credit and/or debit card, you also agree to comply with the then-current Payment Card Industry Data Security Standards (PCI-DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org) or successor organization.

9.10. Third Party Information. Franchisee and the Owners hereby authorize SEF and its agents and representatives to make credit and background checks of Franchisee and the Owners and to make

inquiries of Franchisee's bank, suppliers, and trade creditors concerning the Franchised Business. Franchisee hereby directs such persons to provide SEF with information and copies of documents pertaining to the Franchised Business as SEF may reasonably request.

10. INSURANCE

10.1. Basic Requirements. You must maintain the types and minimum amounts of insurance coverage we specify for Franchised Businesses, at your own expense. The policies must be written by carriers with an industry rating acceptable to us; must name SEF, its affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as we direct; and must not have deductibles, exclusions or co-insurance that are unacceptable to us. Each insurance policy must contain a waiver by the insurance company of subrogation rights against SEF, its affiliates, and their successors and assigns. You must provide us with evidence of all required insurance coverage and payment of premiums at the times we require. As soon as practicable, but not to exceed fifteen (15) days following expiration of each insurance policy, you must furnish a copy of renewal or replacement insurance through valid certificates of insurance, and /or insurance policy documents identifying all required insurance coverages and associated provisions, and evidence of payment of the premium. Your obligation to obtain coverage is not limited by insurance that we maintain.

10.2. Changes. We have the right to increase the amounts of insurance coverage required and to require different or additional kinds of insurance. If you do not have the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services.

11. LICENSED MARKS AND COPYRIGHTS

11.1. Identification of the Franchised Business; Public Notice of Independent Status. Unless SEF otherwise agrees in writing, you must operate, advertise, and promote the Franchised Business only under the Licensed Marks. In conjunction with any use of the Licensed Marks, you must conspicuously identify yourself in all dealings with customers, employees, contractors, landlords, vendors, suppliers, reporters, public officials, and others as an independent franchisee operating under authority of this Agreement. You must display a prominent notice, in a form that we may prescribe, in the premises of the Franchised Business and on all business cards, stationery, advertising, signs, vehicle wraps, and other public-facing materials, identifying us as the owner of the Licensed Marks and stating that you are a licensed user of the Licensed Marks.

11.2. Your Acknowledgments. You acknowledge that: (a) the Licensed Marks are valid and serve to identify the SERVICE EXPERTS brand, services, products, and the Centers operating under the System; (b) your use of the Licensed Marks under this Agreement does not give you any ownership interest in the Licensed Marks; (c) all goodwill associated with and identified by the Licensed Marks belongs exclusively to SEF and its affiliates; and (d) upon expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under the Licensed Marks.

11.3. Limitations on Use of the Licensed Marks. You agree to:

11.3.1 Use the Licensed Marks only for the operation of the Franchised Business within the Territory, for approved activities outside of the Territory, and for approved marketing and advertising for the Franchised Business;

11.3.2 Use only the Licensed Marks designated by us for the Authorized Services, use them to promote and to offer for sale only the products and services that we have approved, and not use any Licensed Marks in association with the products or services of others;

11.3.3 Use the Licensed Marks only in the manner we authorize;

11.3.4 Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and sign any documents we deem necessary to obtain protection for the Licensed Marks or to maintain their continued validity and enforceability;

11.3.5 Not independently register or apply for registration of any trademark, service mark, trade name, domain name or electronic identifier relating directly or indirectly to the Service Experts business, anywhere in the world, without our prior written consent. Any such registration or application by you, whether or not authorized by us, will be deemed to be owned by SEF and you agree to take such steps as we may request, with no compensation to you, to confirm our ownership, including signing an assignment document;

11.3.6 Permit us or our representatives to inspect your operations to assure that you are properly using the Licensed Marks;

11.3.7 Not use the Licensed Marks to incur any obligation or indebtedness on our behalf;

11.3.8 Not use any of the Licensed Marks as part of your corporate or legal name, as part of an internet domain name or URL, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form;

11.3.9 Not use any of the Licensed Marks on any employee forms, employee manuals, employee policies, pay stubs, benefits forms, payroll records, or other employee materials; and

11.3.10 Not contest or aid in contesting the validity or ownership of the Licensed Marks or take any action harmful to our rights in the Licensed Marks, either during or after this Agreement; and

11.3.11 Ensure that the Licensed Marks bear the “®”, “™”, or “SM” symbol, as we prescribe.

11.4. Changes to the Licensed Marks. We have the right to change, discontinue, or substitute for any of the Licensed Marks and to adopt new marks that you are required to or may use. You agree to implement any such change at your own expense.

11.5. Copyrighted Materials. You acknowledge that SEF is the owner of certain copyrighted or copyrightable works (the “**Works**”) used in the Franchised Businesses and that the copyrights in the Works are valuable property. The Works include, but are not limited to, the Operations Manual, advertisements, promotional materials, signs, Internet sites, mobile applications, vehicle graphics, and facility designs. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 11. This Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Franchised Business in compliance with the terms of this Agreement. If you prepare any adaptation, translation or other work derived from the Works, whether or not authorized by us, you agree that the materials will be our property and you hereby assign all your right, title and interest therein to us. You agree to sign any documents we deem necessary to confirm our ownership.

11.6. Third-Party Challenges. You must notify us promptly of any unauthorized use of the Licensed Marks or Works that you suspect or of which you have knowledge. You must also inform us promptly of any challenge to the validity of, our ownership of, or our right to license others to use any of the Licensed Marks or Works. We have the exclusive right (but no obligation) to initiate, direct and control any litigation or administrative proceeding relating to the Licensed Marks and Works, including any settlement. You agree to sign documents and render any other assistance our counsel may deem necessary to protect our interests in the Licensed Marks and the Works.

11.7. No Representation. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Licensed Marks or Works.

12. CONFIDENTIAL INFORMATION

12.1. Nondisclosure. You are prohibited, both during and after the term of this Agreement, from communicating or divulging Confidential Information to any unauthorized person and from using Confidential Information for your own benefit or for the benefit of any other person, other than for operation of the Franchised Business. You may divulge Confidential Information only: (i) to your employees and agents who must have access in order to carry out their duties relating to the Franchised Business; and (ii) to your contractors and landlord with our prior written approval. All information that we designate as confidential will be deemed to be Confidential Information for purposes of this Agreement.

12.2. Individuals Affiliated with the Franchised Business. At our request, the Owners, Key Person, and any employees we designate are required to sign a separate Confidentiality and Non-Compete Agreement in the form of Appendix D to this Agreement. At our request, you are required to use best efforts to obtain signed confidentiality agreements from your landlord, contractors, and any other person outside of your organization to whom you wish to disclose any of our Confidential Information. The confidentiality agreements are required to be in a form satisfactory to us and identify us as a third party beneficiary with the independent right to enforce the agreement.

12.3. Improvements. You may not introduce any Improvement into the Franchised Business without our prior written consent. Any Improvement developed by you or any Owner, employee or agent of Franchisee is the property of SEF. At our request, you must provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us, without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

13. SALE OR ASSIGNMENT

13.1. No Transfer of Interest without Our Consent. We have entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Franchisee and its Owners. Accordingly, neither Franchisee nor the Owners may sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) any direct or indirect interest in this Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee without obtaining our prior written consent. This section applies to any transfer that would occur by any mechanism, including but not limited to family financial planning, estate planning, transfer to a trust, corporate reorganization, issuance or offering of securities, employee ownership plans, divorce, new marriage, bankruptcy, or receivership. If Franchisee is a corporation, limited liability company, or other business entity, this Section also applies to the transfer of a direct or indirect ownership interest in Franchisee. We can approve or disapprove the proposed transferee in our sole discretion. If we approve the proposed transferee, we can still impose conditions on the transfer. Franchisee and the Owners agree that the conditions in Sections 13.2 through 13.7 below are reasonable and that they do not preclude other conditions that we may impose. Franchisee and the Owners agree to notify us in writing of each proposed transfer, to provide all information and documentation relating to the proposed transfer that we request, and to refrain from completing the transfer until we advise you that all requirements of this Section 13 have been satisfied. If we have not responded within sixty (60) days after receiving all requested information, we will be deemed to have refused consent. We have the right to communicate with and counsel Franchisee, the Owners, and the proposed transferee on any aspect of a proposed transfer. Unless otherwise agreed, we do not waive any claims against the transferring party if we approve the transfer. If we do not approve the transfer, you are required to continue to operate the Franchised Business in accordance with this Agreement.

13.2. Transfer of Business. The conditions set forth in this Section apply to: (i) a proposed transfer of this Agreement and/or substantially all of the assets of the Franchised Business, and (ii) a proposed transfer, alone or together with other previous, simultaneous or proposed transfers, of any direct or indirect equity ownership interest in Franchisee that would result in a change of control of Franchisee or the Franchised Business ("**Change of Control**"). Unless waived by Franchisor, the conditions are:

13.2.1 Franchisee and the Owners must be in compliance with all obligations under this Agreement and any other agreement with us and our affiliates as of the date of the request for our approval of the transfer, or make arrangements satisfactory to us to come into compliance by the date of the transfer.

13.2.2 The proposed transferee must:

(a) Demonstrate to our satisfaction that the proposed transferee and its owners and managers meet all of our then-current qualifications to become a Service Experts franchisee, which may include educational, managerial, and business standards; absence of involvement with Competing Businesses; good moral character, business reputation, and credit rating; and aptitude and ability to operate the Franchised Business. If the proposed transferee is already a Service Experts franchisee, that fact does not guarantee approval to become the operator of the Franchised Business. We have no less discretion with respect to a proposed transferee than we have with granting a new franchise.

(b) At our option, sign our then-current standard form of Franchise Agreement (or the standard form most recently offered to new franchisees) and related documents. The new Franchise Agreement may include new or increased fees and may otherwise differ, without limitation, from the terms of this Agreement.

(c) Require all owners of a beneficial interest in the transferee to sign our then-current form of Personal Guarantee and our other then-current standard documents.

(d) Successfully complete our then-current training requirements.

(e) Make arrangements to modernize and upgrade the Franchised Business, at the transferee's expense, to comply with our then-current System Standards.

(f) If the proposed transferee is another Service Experts franchisee, the proposed transferee must not have any outstanding notice of default under any agreements with us and must have a good record of customer service and compliance with System Standards.

13.2.3 Franchisee must pay us a transfer fee as specified in the Data Sheet.

13.2.4 Franchisee and all Owners must sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. Franchisee and the Owners will remain liable to us for all obligations arising before the effective date of the transfer.

13.2.5 The price and other proposed terms of the transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of the Franchised Business.

13.2.6 Any financing incurred in connection with the transfer must be expressly subordinated to the transferee's obligations to us.

13.3. Transfer of Minority Ownership Interest. For any proposal to admit a new Owner, to remove an existing Owner, to change the distribution of ownership shown on the cover page, or otherwise modify the ownership in a way that would not result in a Change of Control of Franchisee or the Franchised Business, Franchisee must give us advance notice and submit a copy of all documents and other information concerning the transfer that we may request. We will have a reasonable time (not less than forty-five (45) days) after we have received all requested information to evaluate the proposed transfer. We may withhold our consent or give our consent subject to the conditions in Section 13.2 that we deem to be applicable, except that, instead of a transfer fee, we will only charge the greater of \$2,500 or our actual external legal and administrative costs, plus applicable training fees for each new person that we determine needs training. Each proposed new owner is required to submit a personal application and sign a Personal Guarantee and our other then-current standard documents.

13.4. Transfer on Death, Incapacity or Bankruptcy. If Franchisee or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within 3 months after the event for consent to transfer the person's interest. The transfer will be subject to Sections 13.2 through 13.6, as applicable. In addition, if the deceased or incapacitated Owner is the Key Person, we will have the right (but no obligation) to take over operation of the Franchised Business upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Franchised Business until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of thirty (30) or more consecutive days or (ii) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 13.2, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 13.4 within one year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 14.1.

13.5. Non-Conforming Transfers. Any purported transfer that is not in compliance with this Section 14 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure.

13.6. Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of the notice of a proposed transfer required by Section 13.1, to send written notice to you that we intend to purchase the interest proposed to be transferred, except that our right of first refusal will not apply if: (i) the sale would not result in a change of Control; or (ii) the interests would transfer only to an existing Owner or the spouse(s) and/or adult children of an Owner. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, description of financing or other contingencies, and any other documents we deem necessary to support a prudent business decision on whether to exercise the right of first refusal. We can assign our right of first refusal to someone else either before or after we exercise it.

13.6.1 If the proposed transfer is a sale, we or our designee have the right to purchase on the same economic terms and conditions offered by the third party. Closing on our purchase must occur within sixty (60) days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same type of consideration as the third-party, then we may substitute the equivalent in cash. If the parties cannot agree within thirty (30) days on the equivalent in cash, you and we will jointly designate and pay the cost of an independent appraiser, and the appraiser's determination will be final. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to proceed with the purchase. We are entitled to receive, and Franchisee and the Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the equity ownership a business entity, as applicable. Any material change in the third party's offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as for the third party's initial offer.

13.6.2 If a transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to purchase the interest at the fair market value determined by the appraiser. If we decide to purchase, closing on the purchase will occur within forty-five (45) days after our notice to the transferor of our decision.

13.6.3 If we elect not to exercise our rights under this Section, the transferor may complete the proposed transfer after complying with Sections 13.1 through 13.4, provided that the final sale price is not less than the price at which we were entitled to purchase. If we determine that the final sale price is less than the price at which we were entitled to purchase, we may refuse to give our consent to the transfer. Closing of the transfer to the third party must occur within sixty (60) days of our election not to

exercise our rights. If closing does not occur within the 60-day period, the third party's offer will be treated as a new offer subject to our right of first refusal.

13.7. Sale or Assignment by Franchisor. We have the right to transfer or assign all or any portion of our rights or obligations under this Agreement to any person or legal entity, including the operator of a competing business or franchise system. The assignee will expressly assume our obligations and become solely responsible for them from the effective date of assignment. We can sell our assets, sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

14. DEFAULT AND TERMINATION

14.1. Termination without Cure Period. In addition to any other rights of termination set forth in this Agreement, and subject to applicable law, we will have the right to terminate this Agreement if any of the following events of default occurs, without providing you an opportunity to cure the default, effective immediately upon delivery of written notice to you:

14.1.1 If at any time during the pre-opening training program, we conclude in our sole judgment that the Principal Owner or Key Person does not meet our standards for new Service Experts franchisees;

14.1.2 If you do not open the Franchised Business by the Opening Deadline;

14.1.3 If you close the Franchised Business for three (3) or more consecutive business days without our prior approval, express your intent to abandon the Franchised Business, or cease to operate the Franchised Business for any period in circumstances where it is reasonable to conclude that you do not intend to promptly resume operation of the Franchised Business;

14.1.4 If you fail to pay any monies owed to us or our affiliates within seven (7) days after receipt of notice of default from us;

14.1.5 If you refuse to permit us to inspect the Franchised Business or your books, records, or accounts as provided in this Agreement;

14.1.6 If you do not comply with the restrictions on competition in Section 16;

14.1.7 If any transfer of interest in this Agreement, Franchisee, or the Franchised Business occurs that does not comply with Section 13, or if an interest is not disposed of under Section 13.4 within one year after the date of death or appointment of a personal representative or trustee;

14.1.8 If you knowingly misuse or disclose to any unauthorized person any contents of the Operations Manual or other Confidential Information, or if your negligence results in disclosure;

14.1.9 If you knowingly maintain false or misleading books or records, knowingly underreport sales, or knowingly submit any other false or misleading information to us;

14.1.10 If you perpetrate common law fraud against us or any customer or supplier of the Franchised Business or knowingly permit any agent or employee of Franchisee to misappropriate any funds or property of any customers;

14.1.11 If Franchisee, the Key Person, or any Owner is convicted of, pleads guilty to, or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we reasonably believe is likely to have an adverse effect on the Licensed Marks or the goodwill associated with them. Once Franchisee, the Key Person, or the Owner has been arrested for or formally charged with

a serious criminal offense, we will have the right: (i) to require that the individual(s) charged be removed from any active role in the Franchised Business pending final disposition of the charges; and (ii) if the person(s) charged include the Key Person, to take over operation of the Franchised Business and to manage it on your behalf pending final disposition of the charges. If we exercise the right in clause (ii), we may charge a reasonable management fee for our services;

14.1.12 If Franchisee is insolvent or makes an assignment for the benefit of creditors; if a receiver is appointed for the Franchised Business; if execution is levied against your business assets; if a suit to foreclose any lien or mortgage is filed against you and not dismissed within sixty (60) days; or if your business entity is dissolved;

14.1.13 If you lose the right to possession of the Approved Location, or otherwise forfeit the right to do business in the jurisdiction where the Franchised Business is located. However, if, through no fault of your own, your business premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate or reconstruct the business premises;

14.1.14 If Franchisee, the Key Person or any Owner appears on any government list of “blocked” persons or its assets, property, or interests are “blocked” under any anti-terrorism law or similar law that prohibits us from doing business with Franchisee, the Key Person or the Owner;

14.1.15 If you fail to maintain the insurance coverage required by Section 10, or fail to provide satisfactory evidence of insurance to us within forty-eight (48) hours of our request;

14.1.16 If you do not achieve the prescribed minimum score or standard on two consecutive assessments or on three or more assessments in any five (5) year period under Section 6.23;

14.1.17 If a business license or permit required for the operation of the Franchised Business is suspended or revoked;

14.1.18 If you misuse or make any unauthorized use of the Licensed Marks or engage in any conduct which we reasonably believe threatens to or actually impairs the Licensed Marks or our reputation, and you do not stop the cited activity within twenty-four (24) hours after notice from us;

14.1.19 If you are in violation of any health, safety, or sanitation law or operate the Franchised Business in a manner that presents a health or safety hazard to your employees, customers, or the general public; or

14.1.20 If you receive three or more notices of default under Section 14.2 within any 18-month period, whether or not the defaults are similar and whether or not they are cured.

14.2. Termination Following Expiration of Cure Period. Except as provided in Section 14.1 and elsewhere in this Agreement, we can terminate this Agreement only by giving you written notice of termination stating the nature of the default, at least thirty (30) days before the effective date of termination. If the default is not cured within the thirty (30) day period (or such longer period as applicable law may require) this Agreement will terminate without further notice to you, effective at the end of the cure period. Any material failure to comply with the requirements imposed by this Agreement (as supplemented by the Operations Manual) will be a material default under this Section 14.2.

14.3. Cross-Default. We have the right to treat a default under any other agreement that you or your affiliate have with us or our affiliate as a default under this Agreement, subject to any applicable provisions for notice and cure set forth in the other agreement. For purposes of this section, “affiliate” means a person or business entity controlling, controlled by, or under common control with Franchisee or SEF, as applicable.

14.4. Pre-Termination Options of Franchisor. In addition to any right we may have to terminate this Agreement or to bring a claim for damages based on your default, we will have the right to take the actions set out below and continue them until you have cured the default to our satisfaction. The taking of any of the actions permitted in this Section will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under this Agreement. We may:

14.4.1 Remove the listing of the Franchised Business from all advertising published or approved by us;

14.4.2 Suspend access to any call center, the Franchisee Portal, and any technology systems we provide you access to, whether it is our technology or a third-party license;

14.4.3 Suspend services provided to you by us or our affiliates under this Agreement, including but not limited to inspections, training, marketing assistance, and the sale of products and supplies; and/or

14.4.4 Prohibit you from attending any meetings or seminars held or sponsored by us or taking place on our premises.

14.5. Step In Rights. If you fail to cure any default within the applicable cure period (if any), we have the right, but not the obligation, to assume temporary management of the Franchised Business using our own employees or contractors (which may include other franchisees) until such time as we determine that the default has been cured and you are otherwise in compliance with this Agreement. We retain the right to terminate this Agreement and our other remedies if the default remains uncured. If we exercise the rights described in this Section, you must give us access to your business premises, pay us (or our designee) a management fee of up to \$500 per day, and reimburse us (or our designee) for all costs and overhead, if any, incurred in connection with the temporary operation of your Franchised Business, including the costs of our personnel who supervise and staff the Franchised Business and their travel and lodging.

14.6. Liquidated Damages. If we terminate this Agreement based on your default, you must pay us liquidated damages to compensate for our lost future royalties and Brand Fund contributions, calculated as follows: (a) the average monthly Royalty fees and Brand Fund contributions due for the last twelve months before our delivery of notice of default, (b) multiplied by the lesser of 24 or the number of months remaining in the Agreement Term. The liquidated damages are in addition to costs and expenses that you may owe us under Section 22 (Disputes).

15. OBLIGATIONS UPON TERMINATION OR EXPIRATION

15.1. Our Rights to Acquire Franchise Assets. Upon expiration or termination of this Agreement under any circumstances, you must:

15.1.1 At our request, assign to us your interest in the lease or sublease for the Approved Location (or provide us with a commercially reasonable lease if you own the Approved Location), unless the Approved Location is your home. If we elect not to exercise our option to acquire the lease, you must make modifications or alterations to the Approved Location as necessary to comply with Section 15.2 and to distinguish the Approved Location from that of a Franchised Business.

15.1.2 At our request, sell to us such of the equipment, vehicles, signs, furnishings, and fixtures of the Franchised Business as we may designate, at fair market value, and such of the inventory and supplies on hand as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within thirty (30) days, we will appoint an independent appraiser, and the appraiser's determination will be final. SEF and Franchisee will each pay one-half of the appraiser's fees and costs. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to proceed with the purchase. If we exercise our option to purchase any items, we will have the right to set off any amount due to us or our affiliates from you against any payment for the items.

15.1.3 At our request, provide us with complete data regarding any scheduled customer jobs that have not been completed, including a copy of the customer contract or order form, and all other information and access necessary for us (or our designee) to continue servicing the customer, within three (3) days from our request and at no cost to us (since Customer Data is our property). To this end, each customer agreement must include a clause providing us the unconditional right (but not an obligation) to assume (directly or through a designee) the customer agreement upon the termination or expiration of this Agreement. You agree to facilitate our conversations with customers to ensure an orderly transition of the business operations. You agree to pay over to us (or our designee) any amounts (or a pro rata portion of any amounts) paid to you by customers for services that you have not yet performed.

We can exercise any or all of our options under Sections 15.1.1, 15.1.2 and 15.1.3: (a) within thirty (30) days after the expiration of the Agreement Term, in the case of expiration of this Agreement; and (b) in the case of termination of this Agreement, at any time between the date of delivery of written notice of termination and thirty (30) days after the effective date of termination (or after the court ruling upholding the termination, if termination is contested). We may assign these options to another person or entity. To preserve the value of these options, we may issue to you, and you must comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 15.2.

15.2. De-identification. Unless we have instructed you otherwise under Section 15.1, upon termination or expiration of this Agreement under any circumstances, you must:

15.2.1 Cease operating the Franchised Business, withdraw all advertising that can be canceled, remove from the Approved Location and from service vehicles all signs, graphics, and other items that display Licensed Marks, and make any other changes that we request to dissociate yourself, the Approved Location, and the former Franchised Business from the System;

15.2.2 Either permanently deactivate or, at our request, transfer to us all domain name registrations and other accounts, profiles, pages, usernames, and registrations by which you associate the Franchised Business with the Licensed Marks online or in any mobile network or other electronic marketing or communications channel, including but not limited to any social media, blog, messaging system, email domain, listserv, directory, or smart phone app, whether or not we authorized the particular usage or channel. If you do not voluntarily transfer these domain names, accounts, profiles, pages, usernames, and registrations, the registrars and hosts of any such electronic marketing or communications channels may accept this Agreement as evidence of our exclusive rights in the domain names, accounts, profiles, pages, usernames, and registrations and of our authority to direct their transfer on your behalf. When the domain names, accounts, profiles, pages, usernames, and registrations are transferred, all hosted content will also be transferred to us, including all data housed on the electronic marketing and communications channels as well as all members, friends, contacts and customers who are linked to the accounts or sites;

15.2.3 Cease using the Confidential Information (including the Operations Manual), Customer Data, the Licensed Marks, the Works, and all other distinctive elements associated with the System, and return all materials in your possession or control, in any medium, that contain Confidential Information, bear any of the Licensed Marks, or constitute Works;

15.2.4 Cancel any assumed name registration that contains any element or variation of the Licensed Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement;

15.2.5 Cease using the telephone number(s) of the Franchised Business, notify your telephone company and all listing agencies of the termination of your right to use the telephone numbers and listings for the Franchised Business, and transfer those number(s) and listings to us or our designee. If you do not voluntarily transfer these numbers and listings, we will present the signed copy of Appendix C to the telephone company and all listing agencies as evidence of our exclusive rights in the telephone numbers and directory listings and of our authority to direct their transfer on your behalf;

15.2.6 Return to customers (or if we request, to us) all items, including keys, in your possession which relate to that particular customer;

15.2.7 Not directly or indirectly represent yourself to the public or hold yourself out as a present or former Service Experts franchisee; and

15.2.8 Not use any reproduction, counterfeit, copy, or colorable imitation of the Licensed or the Works in connection with any other business that, in our opinion, is likely to cause confusion, mistake, or deception or to dilute our and/or our affiliates' rights in and to the Licensed Marks or the Works. You must not use any designation of origin or description or representation that falsely suggests or represents an association or connection with us.

You hereby appoint us as your attorney-in-fact to carry out the requirements of this Section 15.2 if you fail to do so within a reasonable time, which need not be more than fifteen (15) days. You agree that we will have the right to contact your landlord and other third parties to make any required changes that you fail to make. You agree to reimburse us on demand for any costs that we incur to carry out your obligations.

15.3. Continuing Obligations. After termination or expiration of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you are required to:

15.3.1 Promptly pay all sums owing to us and our affiliates;

15.3.2 Permit access to and examination of books and records as provided in Section 9 to determine any amounts due;

15.3.3 Protect the Confidential Information as provided in Section 12;

15.3.4 Comply with the post-term restrictions on competition in Section 16.2; and

15.3.5 Indemnify us as provided in Section 19.

16. RESTRICTIONS ON COMPETITION

16.1. During the Agreement Term. The relationship established by this Agreement will give you access to valuable Confidential Information, training, and business opportunities that you and the Owners did not possess before entering into this Agreement. Accordingly, while this Agreement is in effect, except as we otherwise approve in writing, you and the Owners shall not, either directly or indirectly:

16.1.1 Own, maintain, operate, engage in, invest in, be employed by, make loans to, provide any assistance to, or have any interest in any Competing Business. **“Competing Business”** means a business that primarily provides or offers franchises for: (i) one or more of the Authorized Services that the Franchised Business is allowed to offer and sell under this Agreement; (ii) any other services offered by the Company-Owned Centers to residential customers under the Service Experts brand (such as plumbing, electrical, insulation, residential power generators, solar panels, residential water treatment, batteries, and EV chargers); or (iii) leasing of products connected to any of the services covered by clauses (i) and (ii) above; or

16.1.2 Appropriate or duplicate any part of the System for a purpose other than to operate the Franchised Business, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Licensed Marks and the System.

16.2. After Expiration, Termination or Transfer. You agree that you will not, for a period of two (2) years commencing on the date of: (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final

court order (after all appeals have been taken) with respect to enforcement of this Section 16.2 (if the date of the order is later than the events in clauses (a)-(c)):

16.2.1 Own, maintain, operate, engage in, invest in, be employed by, make loans to, provide assistance to, or have any interest in any Competing Business that is located or serves customers: (i) within the Territory, (ii) within ten (10) miles of the perimeter of the Territory, or (iii) within the territory assigned to any other Company-Owned Center or Franchised Center then in operation; or

16.2.2 Appropriate or duplicate any part of the System for a purpose other than to operate a Franchised Business under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Licensed Marks and the System.

16.3. Enforcement.

16.3.1 Because a violation of this Section 16 would result in irreparable injury for which no adequate remedy at law may be available to SEF and its affiliates, they will have the right to seek an injunction, without the need to post bond, prohibiting any violation of this Section 16. Injunctive relief is in addition to any other remedies we may have.

16.3.2 Neither you nor any person bound by the restrictions of this Section 16 may circumvent the restrictions by engaging in prohibited activity indirectly through any other person or entity.

16.3.3 The Owners personally bind themselves to this Section 16 by signing this Agreement or the attached Personal Guaranty. With respect to the Owners, the time period in Section 16.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner's relationship with Franchisee, whichever occurs first.

16.3.4 The time periods in Section 16.2 and Section 16.3.3 will be tolled for any period of time during which Franchisee or the restricted individual is in breach of the section and will resume only when Franchisee or such person begins or resumes compliance.

16.3.5 The existence of any claim Franchisee or any Owner may have against SEF or its affiliates, whether or not arising under this Agreement, shall not constitute a defense to enforcement of the restrictions in this Section 16 or any separate confidentiality or non-competition agreement.

16.3.6 We have the right to reduce the scope of any restriction in this Section 16, effective immediately upon written notice to Franchisee.

17. BUSINESS ENTITY REQUIREMENTS

17.1. Ownership Information. Franchisee and each Owner represents and warrants that the ownership information on the cover page is correct and complete as of the Agreement Date and will not be changed without first obtaining our consent as required by Section 13. You must maintain a current list of stockholders, general partners, limited partners, members, or other direct and indirect legal and beneficial owners (as applicable) and furnish the list to us upon request. If any Owner is a business entity, you must provide all information we request concerning that business entity and its owners.

17.2. Personal Guarantee. Every individual or entity that owns a direct or indirect equity interest of 10% or greater in Franchisee is required to guarantee Franchisee's performance of this Agreement by executing the Personal Guarantee attached to this Agreement. If a guarantor is a married individual and that individual's spouse is not an Owner, the guarantor must provide SEF with a Spouse's Acknowledgment in the form attached to the Personal Guarantee.

17.3. Governing Documents. At our request, you must furnish us with copies of Franchisee's articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, stock certificates, corporate minutes, or other governing documents, as applicable. You must give us at least thirty (30) days prior written notice of any proposed amendments to your governing documents. Your governing documents must provide that your activities are confined exclusively to developing and operating Franchised Businesses. If any controlling Owner is a business entity, you must provide similar documents and information concerning that business entity as we may request.

17.4. Control Arrangements. Any voting trust, management agreement, or other arrangement affecting the power to direct and control the affairs of Franchisee requires our prior written consent. You are required to furnish any information and documentation that we may request concerning a proposed control arrangement.

18. RENEWAL

18.1. Renewal Terms. Upon expiration of this Agreement, you will have the option to continue the franchise relationship with us for one (1) additional term of ten (10) years, subject to this Section. You must satisfy the following requirements as a condition of renewal:

18.1.1 You must give us written notice of your desire to renew not less than six (6) months and not more than twelve (12) months before the end of the expiring term;

18.1.2 You must not be in default of this Agreement or any other agreement with us, our affiliates, or our approved vendors at the time you give the notice in Section 18.1.1 or during the remainder of the expiring term;

18.1.3 You must have a good record of customer service and of compliance with System Standards and your contractual obligations to us;

18.1.4 You must be on good terms with us, including but not limited to having a good working relationship for day-to-day operations and not being in litigation or other adversarial legal proceedings with us;

18.1.5 At our option, you must sign the then-current franchise agreement being offered to new Service Experts franchisees, except that we may or may not include a further renewal option (the "**Successor Franchise Agreement**"). The terms of the Successor Franchise Agreement may differ substantially from the terms of this Agreement, including increased fees, new fees, reconfiguration of the Territory, and different or higher Minimum Performance Requirements;

18.1.6 You must pay us the renewal fee specified in the Data Sheet;

18.1.7 Franchisee and all Owners must sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and our officers, directors, shareholders and employees;

18.1.8 The Key Person and any Owners or employees we designate must successfully complete any additional or refresher training courses that we require;

18.1.9 You must demonstrate that you have the right to remain in possession of the Approved Location for the full renewal term; and

18.1.10 You must remodel or refurbish your business premises, replace or refresh service vehicles, and conform equipment and technology to our then-current System Standards for new Franchised Businesses before the end of the expiring term, or obtain our approval of arrangements to complete the work on a schedule satisfactory to us.

18.2. Holding Over. If Franchisee does not sign a Successor Franchise Agreement by the end of the expiring term and continues to operate after the expiration date, then SEF may treat this Agreement either as (i) expired as of the Expiration Date, with Franchisee then operating without a franchise to do so and in violation of SEF's rights; or (ii) continued on a month-to-month basis ("**Holdover Period**") until one party provides the other with written notice of termination of the Holdover Period, in which case the Holdover Period will terminate thirty (30) days after the date of the notice. In the case of clause (ii), all obligations of Franchisee shall remain in full force and effect during the Holdover Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Holdover Period.

19. INDEMNIFICATION

You agree to indemnify SEF, its affiliates, and their respective past, present, and future officers, directors, shareholders, employees, and agents (collectively, "**Protected Parties**") for, and at our option defend the Protected Parties against: (i) any third-party claims arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement (including third-party claims alleging negligence of the Protected Parties, but not claims determined by a court to have been caused solely by the gross negligence or willful misconduct of the Protected Parties) (collectively, "**Claims**"); and (ii) any liabilities, damages, losses, and expenses the Protected Parties incur as a result of such Claims, including but not limited to attorneys' fees, costs of investigation, settlement costs, fines, civil penalties, and interest charges (collectively, "**Expenses**"). With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect any of the Protected Parties, the Protected Parties will have the right (subject to the terms of Franchisee's applicable insurance policies) to: (i) choose counsel; (ii) direct, manage, and control the handling of the matter; and (iii) settle any Claim on behalf of the Protected Parties. Your obligations under this Section are not limited by the amount of your insurance coverage. This Section will survive the expiration or termination of this Agreement.

20. NOTICES

All notices related to this Agreement must be in writing and delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender reliable evidence of delivery or attempted delivery. For the avoidance of doubt, our delivery of notice to the business email address that we have on file for you will constitute effective notice unless we receive a non-delivery message. This Section does not apply to changes to the Operations Manual or any written instructions that we furnish to you relating to operational matters.

21. GENERAL PROVISIONS

21.1. Notice of Suit. You must notify us promptly of any legal proceeding or any order of a court or government agency that may adversely affect the operation or financial condition of the Franchised Business.

21.2. Nature of Relationship. The relationship between SEF and Franchisee is that of independent contractors. This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty or representation on our behalf or to create any obligation, express or implied, in our name. We will not assume liability for any such action or for your acts or omissions or any claim or judgment against you.

21.3. Required Use of Legal Name. All legal documents, contracts, invoices, payroll forms, purchase orders, filings, permits, licenses, and other materials between Franchisee and customers, employees, contractors, landlords, vendors, suppliers, government agencies, and other third parties must identify Franchisee by its own company or legal name and, if the document requires a signature, be signed by Franchisee in its own company or legal name.

21.4. Severability. If a court or government agency determines that any provision of this Agreement is invalid or contrary to applicable law, the invalidity will not impair the operation of any other provision of this Agreement that remains otherwise intelligible. The latter will continue to be given full force and effect and the invalid provision(s) will be deemed not to be a part of this Agreement.

21.5. No Implied Waiver. No failure to exercise any right reserved to us in this Agreement or to insist on your strict compliance with any obligation or condition in this Agreement, and no custom or practice of the parties, will constitute a waiver of our right to exercise any right or to demand your compliance with this Agreement. Our waiver of any particular default will not affect or impair our rights with respect to any subsequent default. Our delay or forbearance in exercising any right arising out of your breach or default will not prevent us from exercising the right, declaring any subsequent breach or default, or terminating this Agreement.

21.6. No Implied Third Party Beneficiaries. Nothing in this Agreement is intended to confer any rights or remedies on any person or legal entity other than Franchisee and us.

21.7. No Implied Consent. Whenever this Agreement requires our prior approval or consent, you must make a timely written request, and the approval or consent must be obtained in writing and signed by an authorized officer of SEF. We make no warranties or guarantees and assume no liability or obligation to you by providing any waiver, approval, consent or suggestion in connection with this Agreement.

21.8. Survival of Obligations. All obligations that expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

21.9. Our Business Judgment. Except as otherwise expressly provided in this Agreement, whenever we exercise a right and/or discretion to take or withhold an action, we can make our decision or exercise our discretion based on our judgment of what is in the best interests of the Service Experts brand at the time, even though (a) there may have been alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different franchisees. In the absence of an applicable statute, we will have no liability to you for any such decision or action.

21.10. Entire Agreement. This Agreement and its Appendices constitute the entire agreement between SEF and Franchisee and the Owners concerning the Franchised Business. It supersedes all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made in any Franchise Disclosure Document that you received from us in connection with this Agreement. No amendment, change, or variance from this Agreement will be binding unless agreed to in writing and signed by authorized representatives of each party.

22. DISPUTES

22.1. Governing Law. This Agreement and the relationship between SEF and Franchisee and the Owners is governed by the laws of the State of Texas, except that if a provision of this Agreement would not be enforceable under the laws of Texas, and if the Franchised Business is located outside of Texas and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then that provision will be governed by the laws of the state in which the Franchised Business is located. In the event of any conflict of law question, the laws applicable under this section will prevail, without regard to the application of any conflict-of-law rules. This Section 22.1 is not intended to subject this Agreement or our relationship with you to any Texas statute or regulation that would not apply by its own terms without considering this Section.

22.2. Mediation. Except as provided in Section 22.3, before filing litigation, any dispute between SEF and Franchisee and/or the Owners must be submitted to non-binding mediation administered by a

recognized and reputable mediation service. If SEF and Franchisee have not agreed on a mediator within 30 days after submission of the dispute to the mediation service, the mediation service shall appoint a neutral mediator with experience in franchise disputes. Participants in the mediation must sign a confidentiality agreement before participating in the proceeding. The mediation will take place in the city where SEF has its principal office at the time the demand for mediation is issued. Once a party has submitted a dispute to mediation, the obligation to attend will be binding on all parties. SEF and Franchisee will each bear one-half of the expenses for the mediation service and mediator.

22.3. Provisional or Declaratory Relief. Nothing in Section 22.2 or elsewhere in this Agreement restricts SEF's right to seek a restraining order, preliminary injunction, specific performance or declaratory relief in court, under the applicable court rules, against conduct or threatened conduct for which no adequate remedy at law may be available or which SEF believes may cause SEF or its affiliates irreparable harm. SEF may have such relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law. Franchisee's sole remedy in the event of the entry of a specific performance or injunction order will be the dissolution of the order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived by Franchisee).

22.4. Time Limit on Filing. Any claim or action arising out of or relating to this Agreement or the relationship between SEF and Franchisee and the Owners will be barred unless filed in court and served within two (2) years from the date the complaining party knew or should have known of the facts giving rise to the claim.

22.5. Venue for Litigation. Franchisee and the Owners must file any lawsuit against SEF only in the federal district court for the district in which SEF has its principal office at the time the complaint is filed (or in the closest state court if the federal court lacks subject matter jurisdiction). We may file a lawsuit against Franchisee or the Owners in the federal or state court where SEF has its principal office or in the federal or state court where the Franchised Business is located. The parties irrevocably submit to the jurisdiction of such courts and waive all objections to personal jurisdiction and venue for purposes of carrying out this provision.

22.6. Waiver of Jury Trial. We, you, and the Owners irrevocably waive trial by jury in any action, proceeding, or counterclaim.

22.7. Waiver of Exemplary Damages. Franchisee and the Owners, on the one hand, and SEF on the other, waive any right to or claim of punitive or exemplary damages against the other, except that we do not waive our right to: (i) statutory, punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, or unauthorized disclosure of confidential information or trade secrets; or (ii) indemnification from Franchisee under Section 20 for any such damages claimed or awarded against Protected Parties.

22.8. Class Action Waiver. TO THE EXTENT PERMITTED BY LAW, FRANCHISEE AND THE OWNERS WAIVE THE RIGHT TO SEEK CERTIFICATION OF A CLASS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM AGAINST US.

22.9. Costs and Legal Fees. In connection with any failure by Franchisee to comply with this Agreement, regardless of whether there is any legal proceeding to enforce the terms of this Agreement, Franchisee must reimburse SEF, upon demand, for the costs and expenses incurred by SEF as a result of such failure and SEF's enforcement of this Agreement. SEF's costs and expenses include, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel expenses. If Franchisee initiates a legal proceeding against SEF and/or its affiliates, and if Franchisee does not prevail in obtaining the relief Franchisee was seeking in the legal proceedings, then Franchisee must reimburse SEF and its affiliates for the costs and expenses incurred by them as a result of the legal proceedings, including, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel expenses, whether incurred prior to, in preparation

for, in contemplation of, or in connection with the legal proceedings. This section will survive termination or expiration of this Agreement.

22.10. Remedies are Cumulative. Except as otherwise provided in this Section 22, no right or remedy under this Agreement is exclusive of any other right or remedy.

SERVICE EXPERTS FRANCHISING LLC

FRANCHISEE (Print name of company):

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

PERSONAL GUARANTEE

As an inducement to Service Experts Franchising LLC (“**Franchisor**”) to sign a Service Experts Franchise Agreement (the “**Agreement**”) with _____ (“**Franchisee**”), the undersigned individuals (collectively, the “**Guarantors**”), jointly and severally, unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns (collectively, the “**Service Experts Group**”) that all of Franchisee’s obligations under the Agreement and under other agreements or arrangements between Franchisee and the Service Experts Group will be punctually paid and performed.

1. Guarantee. Upon demand by Franchisor, the Guarantors will immediately make each contribution or payment required of Franchisee under the Agreement and under other agreements or arrangements between Franchisee and the Service Experts Group. Each Guarantor waives any right to require the Service Experts Group to: (a) proceed against Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, the Service Experts Group may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity. The Guarantors agree to indemnify the Service Experts Group against any and all losses, damages, liabilities, costs, and expenses (including attorneys’ fees, costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by Franchisee to perform any obligation under the Agreement or any other agreement between Franchisee and the Service Experts Group.

3. Other Personal Obligations. The Guarantors agree to be bound personally by all obligations of the Franchisee in the Agreement, including but not limited to non-compete restrictions, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on sale or transfer of interest in Franchisee or the Franchised Business. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from Franchisor, their involvement in the business, or their ownership interest in Franchisee.

4. Survival of Obligations. Upon the death of a Guarantor, the Guarantor’s estate will be bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

5. Spouse’s Acknowledgment. If a Guarantor is a married individual and that individual’s spouse is not an Owner of Franchisee or the Franchised Business, the Guarantor will provide Franchisor with a Spouse’s Acknowledgment in the form attached to this Personal Guarantee.

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

SPOUSE ACKNOWLEDGMENT

My name is _____.

I am the spouse of _____.

I am aware that:

- my spouse is investing in a Service Experts franchise;
- in connection with the franchise, my spouse is signing a Franchise Agreement, personal guarantee, and/or other documents that involve financial obligations to Service Experts Franchising LLC and affiliates (the “**Franchise Documents**”); and
- Service Experts Franchising LLC and its affiliates are relying on all assets of my spouse, including jointly owned marital property, in accepting my spouse’s obligations under the Franchise Documents.

I understand the financial obligations undertaken by my spouse in connection with the franchise. I understand the effect of this Spouse Acknowledgment on our jointly owned marital property.

I understand that this Spouse Acknowledgment does not subject my separate, non-marital property to my spouse’s financial obligations under the Franchise Documents.

I understand that my spouse is bound personally by the following provisions of the Franchise Agreement, and I agree to be bound by them as well: (i) the confidentiality obligations in Section 12; (ii) the non-competition covenants in 16; and (iii) the governing law and dispute resolution provisions in Section 22.

Signature

Date: _____

**APPENDIX A TO FRANCHISE AGREEMENT
DATA SHEET**

SECTION REFERENCE	SUBJECT	FRANCHISEE'S INFORMATION												
Sections 1.2 and 4.1	Approved Location	[insert address]												
Section 1.17	Key Person	[insert name]												
Section 1.19	Opening Deadline	Start-Up Franchise: [insert date] Conversion Franchise: See Conversion Addendum												
Section 1.23	Territory	The Territory consists of the following territory or territories defined by our mapping system, each of which is in turn defined by zip code areas: <table border="1"> <thead> <tr> <th>Territory Designation</th><th>Included Zip Codes</th><th>Single-Family Households</th></tr> </thead> <tbody> <tr> <td>[Territory #1 name or designation]</td><td>[List specific zip codes]</td><td>[Insert number of single-family households as of Agreement Date]</td></tr> <tr> <td>[Territory #1 name or designation]</td><td>[List specific zip codes]</td><td>[Insert number of single-family households as of Agreement Date]</td></tr> <tr> <td>[Territory #1 name or designation]</td><td>[List specific zip codes]</td><td>[Insert number of single-family households as of Agreement Date]</td></tr> </tbody> </table> The assigned zip code areas are depicted on the attached map. In the event of a conflict between a printed map of the Territory and the Territory as defined by our designated mapping system, the mapping system will control.	Territory Designation	Included Zip Codes	Single-Family Households	[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]	[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]	[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]
Territory Designation	Included Zip Codes	Single-Family Households												
[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]												
[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]												
[Territory #1 name or designation]	[List specific zip codes]	[Insert number of single-family households as of Agreement Date]												
Section 4.1	Relocation Fee	\$1,000 plus reimbursement of any out-of-pocket costs SEF reasonably incurs in reviewing, approving, and documenting your relocation to the new site.												
Section 5.4	Training Fee	\$5,000												
Section 6.6	Customer Programs	As of the Agreement Date, the required customer programs are: - the "Advantage" equipment leasing program - the "Maintenance" service contract program												

		- the 100% satisfaction guarantee included in our customer terms and conditions and related marketing - the “Service Finance” customer financing program. Further details for each customer program are set out in the Operations Manual.												
Section 6.21	Minimum Performance Requirements	Start-Up Franchise: The Franchised Business must achieve the Gross Revenue benchmarks and Google Review metrics set out below (together, the “Minimum Performance Requirements”). Minimum Gross Revenue: You must achieve the following minimum levels of Gross Revenue: <table><tr><th>Operations Period</th><th>Minimum Gross Revenue</th></tr><tr><td>First 12 months</td><td>\$1.67 per SFH</td></tr><tr><td>Second 12 months</td><td>\$4.17 per SFH</td></tr><tr><td>Third 12 months</td><td>\$6.67 per SFH</td></tr><tr><td>Fourth 12 months</td><td>\$9.17 per SFH</td></tr><tr><td>Fifth 12 months and thereafter</td><td>\$11.67 per SFH</td></tr></table> The “Operations Period” in the chart is measured from the “Original Opening Date” of the Franchised Business, which means the date on which you or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. “SFH” means the total number of single family households shown for the Territory in Section 1.23 of this Data Sheet. Any revenue you generate from outside of your Territory will not count toward the Minimum Performance Requirement for the Territory. Google Review metrics: The Franchised Business must maintain a monthly Google Review rating average of 4.5 stars or above during the term of the Franchise Agreement. Minimum Performance Requirements for Conversion Franchise: See Conversion Addendum The Minimum Performance Requirements are not meant to be a representation or guarantee of the results that your Franchised Business or any particular Franchised Business will or might achieve. The Minimum Performance Requirements do not predict or project your revenue or other business results.	Operations Period	Minimum Gross Revenue	First 12 months	\$1.67 per SFH	Second 12 months	\$4.17 per SFH	Third 12 months	\$6.67 per SFH	Fourth 12 months	\$9.17 per SFH	Fifth 12 months and thereafter	\$11.67 per SFH
Operations Period	Minimum Gross Revenue													
First 12 months	\$1.67 per SFH													
Second 12 months	\$4.17 per SFH													
Third 12 months	\$6.67 per SFH													
Fourth 12 months	\$9.17 per SFH													
Fifth 12 months and thereafter	\$11.67 per SFH													
Section 7.3	Pre-Opening Marketing	\$15,000												
Section 7.4	Local Marketing	Greater of 6% of Gross Revenue or [insert amount = \$0.53 per SFH in the Territory as of the Agreement Date (but not less than \$32,000)] (the “LM Annual Minimum”)												

		We reserve the right to increase the required percentage for Local Marketing if the Franchised Business fails to meet its Minimum Performance Requirements. However, the required percentage will not exceed 12% of Gross Revenue.
Section 8.1	Franchise Fee	\$59,900
Section 8.2	Royalty	6% of Gross Revenue or the applicable Minimum Royalty, whichever is greater. “Minimum Royalty” means the following weekly amounts: Through the 6th full calendar month of operation: \$0 Months 7-18: \$200 plus \$0.0033 per SFH above 60,000 Month 19 and thereafter: \$500 plus \$0.0083 per SFH above 60,000 The applicable Minimum Royalty is determined by measuring from the “Original Opening Date” of the Franchised Business, which means the date on which you or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. “SFH” means the number of single family households in the Territory when you sign the Franchise Agreement. For Conversion Franchise: See Conversion Addendum We may establish policies to rebate a portion of the royalty to Franchised Centers for certain types of transactions. We may change or revoke any such policies at any time in our sole discretion.
Section 8.3	Brand Fund Contribution	1% of Gross Revenue We can increase the required contribution on reasonable notice, up to a maximum of 2% of Gross Revenue.
Section 8.4	Technology Fees	As of the Agreement Date, the Technology Fees are as follows: • \$500 per month for website, 3 seats for Tovuti online learning platform, and general technology support • \$45 per month per Office 365 user • \$0.55 per survey for NPS management system The Technology Fees are paid to us. The current NPS management system vendor is Medallia. Medallia bills us centrally and we collect payment from franchisees. We can revise the Technology Fees at any time on reasonable notice. Increases will not exceed 10% of the amount in effect before the increase, except to the extent vendors increase their charges

		to us by more than 10%. You will pay other fees for other required technology systems directly to the vendors.
Section 13.2	Transfer Fee	If you are transferring shares between existing Owners, or adding a new shareholder that does not change the majority ownership in your franchise, the transfer fee is \$2,500 or such greater amount as may be necessary to reimburse us for our expenses in discussing, documenting, and finalizing the transfer arrangements. If you are selling your Franchised Business to an individual that is new to the Brand, the transfer fee is fifty percent (50%) of our then current initial franchise fee for a territory the size of the one being transferred. If you are selling your Franchised Business to an existing Service Experts franchise owner that is approved to purchase your Franchised Business, the transfer fee will be equal to thirty (30%) percent of our then-current initial franchise fee for a territory the size of the one being transferred, or such greater amount as may be necessary to reimburse us for our expenses in discussing, documenting, and finalizing the transfer arrangements. If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to pay us, in addition to the transfer fee above, the greater of: (a) three percent (3%) of the total purchase price for the Franchised Business; or (b) our actual costs to identify the prospective purchaser. Any amounts paid pursuant to this Section are non-refundable.
Section 18.1	Renewal Fee	10% of then-current Franchise Fee charged for a territory the size of the one being renewed.
Section 21	Address for Legal Notices	[insert Franchisee's legal address]

**APPENDIX B
ADDITIONAL SERVICE ADDENDUM**

THIS ADDITIONAL SERVICE ADDENDUM amends and supplements the Service Experts Franchise Agreement (“**Franchise Agreement**”) between Service Experts Franchising LLC (“**we**,” “**us**,” “**our**,” or “**Franchisor**”) and _____ (“**you**,” “**your**” or “**Franchisee**”) dated as of _____.

Franchisor and Franchisee agree to modify and supplement the Franchise Agreement as set forth in this Addendum.

Franchisor and Franchisee agree as follows:

Additional Service:	
Licensed Mark(s):	
Continuing Eligibility Requirements to Retain Additional Service	
[other terms]	

FRANCHISOR:
SERVICE EXPERTS FRANCHISING LLC

FRANCHISEE:
[INSERT NAME OF COMPANY]

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

**APPENDIX C TO FRANCHISE AGREEMENT
TELEPHONE NUMBER AND INTERNET AGREEMENT**

(Name of Telephone Company)

(Address)

(City, State, Zip)

(Office Telephone Number(s))

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("**Assignment**") is made pursuant to the terms of the Franchise Agreement dated _____ ("**Agreement**") by and between Service Experts Franchising LLC ("**Franchisor**") and _____ ("**Franchisee**"), authorizing Franchisee to use Franchisor's Licensed Marks and System in the operation of a business (the "**Franchised Business**") in and for the Territory. Capitalized terms used herein without a definition have the meaning assigned to them in the Agreement.

For value received, Franchisee irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "Telephone Listings") and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "Internet Listings" and together with the Telephone Listings, the "Listings"). From time to time upon Franchisor's request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).

Franchisee shall have the right to use the Listings only in connection with advertising the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately, at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the Franchised Business

or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

FRANCHISEE (Print name of company):

By: _____

Name: _____

Title: _____

Date: _____

**APPENDIX D TO FRANCHISE AGREEMENT
CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

[Name of Franchisee] ("**Franchisee**") has entered into a Service Experts Franchise Agreement (the "**Franchise Agreement**") with Service Experts Franchising LLC ("**SEF**"). Under the Franchise Agreement, SEF can require certain individuals affiliated with the Franchisee to bind themselves personally to the confidentiality obligations and noncompetition restrictions in the Franchise Agreement. You agree as follows:

1. You are signing this Agreement for the benefit of both Franchisee and SEF, as a condition of your employment by, ownership interest in, or other role with Franchisee. SEF has the right to enforce this Agreement directly against you.
2. You will or might gain access to Confidential Information (as defined in the Franchise Agreement) as a result of your role with Franchisee. You agree that you will: (a) not use the Confidential Information in any other business or capacity; (b) use your best efforts to maintain the confidentiality of the Confidential Information; and (c) not make unauthorized copies of any Confidential Information. If your relationship with Franchisee ends, these obligations continue, but you are required to return to SEF any materials in your possession or control that contain Confidential Information.
3. While the Franchise Agreement is in effect and you continue in your role with Franchisee, you will not, directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business. "**Competing Business**" means a business that primarily provides or offers franchises for: (i) one or more of the Authorized Services that the Franchised Business is allowed to offer and sell under the Franchise Agreement; (ii) any other services offered by the Company-Owned Centers to residential customers under the Service Experts brand (such as plumbing, electrical, insulation, residential power generators, solar panels, residential water treatment, batteries, and EV chargers); or (iii) leasing of products connected to any of the services covered by clauses (i) and (ii) above.
4. For two (2) years after (i) your relationship with Franchisee ends; (ii) the expiration or termination of the Franchise Agreement; or (iii) the approved transfer of the Franchise Agreement to a new franchisee, whichever comes first, you will not, without SEF's consent (which SEF can withhold at its discretion) either directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, make loans to, provide assistance to, or have any economic interest in any Competing Business that is located or serves customers (i) within the Territory, (ii) within ten (10) miles of the perimeter of the Territory, or (iii) within the Territory of any other then-existing Company-Owned Centers or Franchised Centers. The time period above will be tolled for any period of time during which you are in breach of this section and will resume only when you begin or resume compliance.
5. You represent that enforcement of the restrictions contained in Paragraphs 3 and 4 will not deprive you of the ability to earn a living. If a court rules that any of these restrictions is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, you agree to comply with any lesser restriction deemed enforceable by the court. If SEF or Franchisee initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, you agree to reimburse SEF or Franchisee for its enforcement costs and expenses, including attorneys' fees.

NAME: _____ **Relationship to Franchisee:** _____

Signature: _____ **Date:** _____

CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

THIS CONVERSION ADDENDUM is attached to and entered into contemporaneously with the Service Experts Franchise Agreement (“**Franchise Agreement**”) between Service Experts Franchising LLC (“**we**,” “**us**,” “**our**,” or “**Franchisor**”) and _____ (“**you**,” “**your**” or “**Franchisee**”) dated as of _____.

Franchisee is the operator of an established HVAC business that is converting to a Service Experts Franchised Business.

Franchisor and Franchisee agree to modify and supplement the Franchise Agreement as set forth in this Addendum.

Franchisor and Franchisee agree as follows:

1. **ROYALTY FEE**: The Royalty Fee under Section 8.2 will be determined by the following schedule:

Year of Operation	Royalty Fee
Year 1	2% of Gross Revenue or the applicable Minimum Royalty from the Data Sheet, whichever is greater
Year 2	4% of Gross Revenue or the applicable Minimum Royalty from the Data Sheet, whichever is greater
Year 3 and thereafter	6% of Gross Revenue or the applicable Minimum Royalty from the Data Sheet, whichever is greater

2. **OPENING DEADLINE**. The Opening Deadline under Section 1.19 is thirty (30) days after the Agreement Date.
3. **BRANDING/LEGACY NAME**. Section 6.4 of the Franchise Agreement is amended to add the following:

SEF acknowledges that Franchisee or the Principal Owner engaged in a similar business before entering into the Franchise Agreement and that the name of the legacy business (the “**Legacy Name**”) may continue to have local recognition and value to the Franchised Business. SEF agrees that Franchisee may continue to use the Legacy Name until _____ in accordance with the branding transition plan attached to this Addendum. The Legacy Name may be used in conjunction with the Licensed Marks, but only in the following manner: (a) on exterior and interior signage at the Approved Location; and (b) on promotional materials and in advertising for the Franchised Business in the Territory. Franchisee will not conduct any marketing or promotional activities jointly using the Legacy Name and Licensed Marks without the prior written consent of SEF. SEF’s consent to such use is subject to the following conditions: (i) the presentation of the Licensed Marks must be consistent with the requirements of SEF’s style guide; (ii) the Legacy Name may not be more prominent than the Licensed Marks; and (iii) the presentation of the respective marks must not dilute or create any confusion as to SEF’s exclusive ownership of the Service Experts brand and System. No approval by SEF is given or implied for any co-branding in connection with any products or services other than those of the Franchised Business within the

Territory. SEF will have the right to monitor and request changes from time to time regarding the appearance and use of the Legacy Name and Franchisee will promptly comply with any such requests.

4. **MINIMUM PERFORMANCE REQUIREMENTS**. The Minimum Performance Requirements under Section 6.21 are as follows:

Minimum Gross Revenue: You must achieve Gross Revenue in each year of operation not less than the gross revenue of the pre-conversion business in the last twelve (12) months before the Agreement Date.

Google Review metrics: The Franchised Business must maintain a monthly Google Review rating average of 4.5 stars or above during the term of the Franchise Agreement.

5. **NO FURTHER CHANGES**. Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement remain in full force and effect as originally written and signed.

FRANCHISOR:
SERVICE EXPERTS FRANCHISING LLC

FRANCHISEE:
[INSERT NAME OF COMPANY]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**Exhibit B Letter of Intent, Asset Purchase Agreement, Refranchise Addendum, and
Transition Services Agreement for Acquisition of Company-Owned Center**

[SERVICE EXPERTS LETTERHEAD]

[Date]

Re: Letter of Intent – Sale and Purchase of Company-Owned Center(s)

Dear _____:

Following up on our conversations, this letter sets out the basic terms agreed upon between Service Experts LLC (“Service Experts”, “we” or “us”) and _____ (“you”) regarding the proposed sale of the assets of the company-owned Service Experts® businesses located at _____ (the “Center(s)”).

The purpose of this letter is to establish the basic deal terms, in order to give certainty to both parties as to what the definitive Asset Purchase Agreement and Franchise Agreement(s) will contain on those points. Signing this letter of intent does not obligate either you or us to enter into an Asset Purchase Agreement or Franchise Agreement. This Letter of Intent shall be deemed automatically withdrawn and of no force or effect if not executed by both parties on or before 5:00 p.m. C.S.T. on [_____].

You and Service Experts state our mutual intent as follows:

1. Deposit. In consideration for entering into this Letter of Intent, you agree to pay us a deposit of \$_____ (the “Deposit”) toward the purchase price of the Center(s). We will apply the Deposit toward the purchase price if and when we close on the transaction. If this Letter of Intent expires or terminates without the execution of an Asset Purchase Agreement, we will refund the Deposit.

2. Asset Purchase Agreement. The form of the Asset Purchase Agreement (APA) will be the current standard form used by Service Experts for the sale of company-owned SERVICE EXPERTS businesses to franchisees of our affiliate, Service Experts Franchising, LLC (“Franchisor”). The APA will include the following terms:

- a. The purchase price of the Center(s) will be \$_____, exclusive of adjustments for inventory, prepaid expenses, and other items provided for in the APA.
- b. The purchase price will be payable as follows: [_____]
- c. You will be purchasing the Center(s) on an “as is, where is” basis.
- d. You will have a period of not less than _____ days from the full execution of the APA to complete a final due diligence review of the Center(s).

- e. You will assume the lease for the premises of the Center(s) and any vehicle and equipment leases, but otherwise you will not assume any of our liabilities or obligations, except as specifically set forth in the APA. We will jointly seek to have Service Experts LLC and any affiliated guarantors released from liability under the leases for the Center(s).
- f. At closing there will be adjustments for inventory on hand at the Center(s), prepaid expenses, and other overlapping operational items. Additionally, if you are an existing SERVICE EXPERTS franchisee, all amounts due between you and Franchisor must be settled at or before closing on the purchase of the Center(s).
- g. We will give you the opportunity to hire employees of the Center(s), if they are interested in working for you. You must permit employees to carry over unused vacation time and unused sick time, but we will reimburse you for the amount you credit to them. You must give the employees credit for time in service with us for purposes of your benefit plans.
- h. We will indemnify each other for claims relating to our respective representations and warranties, and with respect to the operation of the Center(s) before and after closing, respectively.

3. Franchise Documents. At the closing of the sale of the Center(s), you and Franchisor will sign:

- a. A SERVICE EXPERTS Franchise Agreement with respect to each acquired Center. The Franchise Agreement will be in the form presented to you in Franchisor's current Franchise Disclosure Document (FDD), except that (i) there will be no initial franchise fee separate from the purchase price of the assets; and (ii) the Franchisor has agreed to **[a temporary royalty reduction/waiver] [any other special terms]**
- b. An addendum to the Franchise Agreement to reflect the fact that the business is already operating; and
- c. Personal Guarantees and other applicable addenda and forms ancillary to the Franchise Agreement, as disclosed in the FDD.

4. Confidentiality. We will or may disclose to you in connection with this Letter of Intent confidential information about the Center(s) and our business methods, including the results of operation of the Center(s) (collectively, "Confidential Information"). In connection with the disclosure of such information, we may require you to sign a receipt setting forth any applicable assumptions and limitations regarding the information being disclosed. You agree not to use any Confidential Information for any purpose other than evaluating the purchase of the Center(s), and you agree not to disclose any Confidential Information to any person without our prior written consent. This does not apply to your accountant, your attorney, your lender, or others who must necessarily be involved in the transaction. You promise to maintain the confidentiality of the Confidential Information after this Letter of Intent expires or terminates, even if the parties do not enter into an Asset Purchase Agreement or the transaction fails to close.

5. Materials. Any materials we provide to you in connection with this Letter of Intent that contain Confidential Information (collectively, "Materials") remain the exclusive property of Service

Experts. Neither you nor anyone under your control may reproduce any portion of the Materials or make them available to anyone else without our prior written authorization. Upon expiration or termination of this Letter of Intent, you must promptly return to us all of the Materials and any reproductions (whether authorized or unauthorized).

6. Inspections. While this LOI is in effect, we will give you reasonable access to physically inspect the Center(s) and business assets to determine their working condition. Any such inspections shall be performed in the presence of a designated Service Experts LLC representative at mutually agreed times and locations. You may not contact any Service Experts LLC employee working at, or responsible for the supervision of, the Center(s) without the prior consent of [] as main point of contact and deal manager for Service Experts LLC.

7. Financial Ability. You represent to Service Experts LLC that you have sufficient capital, financial and operational resources to purchase the Center(s). You agree to furnish such other information as Service Experts LLC may reasonably request in order to assess your qualifications for the acquisition. This may include, but is not limited to, a detailed summary of experience, information about your investors, and evidence of financial qualification including a Sources and Uses statement, loan commitment, etc.

8. Entity Information. If you are a corporation, partnership or limited liability company ("Company"), you must:

- Provide us with proof from the state of organization that the Company is in existence and in good standing.
- Provide a complete list of owners (shareholders, partners or members), including their percentages of ownership.
- Designate one of the owners to sign this Letter of Intent and be personally responsible for performance of all obligations and requirements relating to this Letter of Intent. The designated person must have the power to speak for and to bind the Company in any dealings with us.

9. No Franchise. This Letter of Intent does not grant you a franchise or any right or license to use any SERVICE EXPERTS trademarks, service marks, logos, software or systems. You will not have any such rights unless and until you and we enter into a Franchise Agreement.

10. Exclusivity. While this LOI is in effect, Service Experts LLC will not enter into a letter of intent or definitive agreement with anyone other than you regarding the proposed sale of the Center(s).

11. Expiration. You and we may negotiate other commercial terms for the sale of the Center(s) provided that they are not inconsistent with the basic terms set forth in this Letter of Intent. The parties will try to reach a definitive Asset Purchase Agreement within a reasonable time, in no event to exceed thirty (30) days from the date of delivery to you of our current form of Asset Purchase Agreement. This Letter of Intent will terminate automatically at the end of the 30-day period if you have not returned the executed Asset Purchase Agreement to us.

12. Right to Terminate. Each party shall have the right to terminate this Letter of Intent at any time without reason or cause. Except as provided in Paragraph 1 (refund of the Deposit), Paragraph 4 (your obligation of confidentiality), Paragraph 5 (your obligation to return the

Materials), and Paragraph 13 (responsibility for expenses), all rights, obligations, and liabilities under this Letter of Intent will end upon its expiration or termination.

13. Expenses. The parties will each bear their own costs for any travel, professional advice, and other expenses related to the proposed sale of the Center(s). You will be responsible for any costs or expenses charged by a landlord for assignment of any leases.

14. Governing Law. This Letter of Intent is governed by the laws of the State of Texas, without giving effect to any principles regarding conflict of laws that would cause the application of any other law. All actions to be performed hereunder are deemed to occur in Dallas County, Texas. Venue for any dispute relating to this Letter of Intent shall be in the federal or state courts located in Dallas County, Texas. You consent to the personal jurisdiction of those courts and to venue in those courts.

Please acknowledge your acceptance of this Letter of Intent by signing in the space provided below and returning a signed copy to me.

Best Regards,

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “Agreement”), dated as of [____], 202__, (the “Effective Date”) is entered into by and among [____], a [____] with its principal place of business at [____] (“Purchaser”), and Service Experts LLC, a [____] [limited liability] company with its principal place of business at [____] (“Seller”).

RECITALS

A. Seller is engaged in the operation of one or more SERVICE EXPERTS® businesses at the locations listed on Exhibit A (the “Center(s)”).

B. Purchaser desires to purchase the Center(s) from Seller, and Seller desires to sell the Center(s) to Purchaser, for the consideration and upon the terms and subject to the conditions set forth in this Agreement.

The parties agree as follows:

ARTICLE I **Purchase and Sale**

1.1 Purchase and Sale of Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Seller will sell, assign, transfer and deliver to Purchaser, and Purchaser will purchase from Seller, on an “AS IS” “WHERE IS” basis, all of the Acquired Assets, free and clear of all Liens other than any Permitted Liens set forth in Schedule 1.1.

1.2 Acquired Assets. As used herein, “Acquired Assets” means all right, title and interest of Seller or any of its Affiliates in and to the following properties and assets of the Center(s) (collectively, the “Acquired Assets”):

(a) all vehicles, machinery, equipment, tools, furniture, furnishings, fixtures, signs, supplies, materials and other items of tangible personal property owned by Seller or any of its Affiliates in, at or on the Premises;

(b) all right, title and interest of Seller, or any of its Affiliates, in the building and other leasehold improvements located on the Premises;

(c) all rights and benefits of Seller under the contracts, personal property leases, real property leases, agreements, sales and purchase orders, binding agreements, warranties and commitments listed expressly in Schedule 1.2(b) (collectively, “Assumed Contracts”);

(d) all inventory of Seller on the premises as of the Effective Time to be used or consumed by Seller or any of its Affiliates in the operation of the Center(s) (collectively, the “Inventory”);

(e) to the extent transferrable, all licenses, authorizations, permits and other approvals issued to, granted to, given to, or required to be obtained or maintained by Seller

or any of its Affiliates, by any Governmental Entity or pursuant to any Legal Requirement with respect to the operation of the Center(s) or any of the other Acquired Assets and all pending applications therefor or renewals thereof, in each case, which are listed expressly in Schedule 1.2(f) (collectively, the “Permits”);

(f) all of the intangible rights and properties of Seller related exclusively to the Center(s), including going concern value, good-will (reputation, skill and know-how, that represents the relationship established by and between the Center(s) and their customers within the surrounding community), signage located at the premises, telephone numbers [and online advertising]; and

(g) all security deposits, credits, advance payments, prepaid expenses and other prepaid items related to the Center(s) or any Acquired Asset, as described expressly in Schedule 1.2(h).

1.3 Excluded Assets. For greater certainty, the following assets, properties and rights (collectively, the “Excluded Assets”) are excluded from the Acquired Assets and the transaction:

(a) all cash and cash equivalents;

(b) all trade accounts receivable and other receivables (including any claims, remedies and other rights related thereto), whether or not billed, for products and services sold by the Center(s) prior to the Effective Time;

(c) all minute books, equity records, financing and accounting records, forecasts, projections, budgets, business plans, and all other books, records, papers, ledgers and files, other than copies of the Assumed Contracts and Permits;

(d) the capital stock and other equity interests of any other Person held by Seller;

(e) all rights to insurance or indemnity, and all claims, causes or action, rights of recovery or set off of any kind and against any Person, to the extent relating to or covering the Premises prior to the Effective Time;

(f) all Tax Returns (including any work papers related to Tax Returns), Tax assets and property Tax planning methods and techniques;

(g) all refunds of Taxes related to the Excluded Liabilities or Tax obligations due prior to the Effective Time;

(h) all rights in connection with and assets of any “employee benefits plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”) and any other program, arrangement, or policy providing benefits to any present or former employee or contractor of Seller or any of its Affiliates;

(i) all of the intangible rights and properties of Seller and its Affiliates located at the Center(s) not used or held for use exclusively in connection with the Center(s);

(j) all Intellectual Property of Seller or any of its Affiliates; and

(k) [all other assets listed on Schedule 1.3.]

1.4 Assumption of Certain Liabilities. Subject to Section 1.5 below, at the Effective Time, upon the terms and subject to the conditions set forth in this Agreement, Purchaser or its designee(s) will assume and agree to pay, discharge or perform, when due, the following Liabilities of Seller related exclusively to the Center(s) (the "Assumed Liabilities"):

- (a) all Liabilities of Seller or its Affiliates under or related to the Assumed Contracts, to the extent arising out of or relating to performance after the Effective Time;
- (b) all Liabilities relating to the Acquired Assets arising after the Effective Time;
- (c) all Liabilities arising out of or relating to the operation or conduct of the Center(s) after the Effective Time;
- (d) all Liabilities of Purchaser under or relating to Article VI; and
- (e) all other Liabilities of Seller or its Affiliates described on Schedule 1.4.

1.5 All Other Liabilities Excluded. Notwithstanding any provision in this Agreement to the contrary, at the Effective Time, Purchaser will assume only the Assumed Liabilities and will not assume any other Liability of Seller or any of its Affiliates. From and after the Effective Time, Seller will remain liable for and will pay, perform and discharge when due all Liabilities of Seller that are not Assumed Liabilities (collectively, the "Excluded Liabilities").

ARTICLE II

Closing

2.1 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") will take place at 10:00 a.m., CST, on [] or, if the closing conditions set forth in Article VIII (other than those closing conditions that by their nature are to be satisfied at the Closing) have not been satisfied or waived by [], then on the third business day following the satisfaction or waiver of the conditions to Seller's and Purchaser's obligations to effect the Closing set forth in Article VIII (other than those closing conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at that time) at the offices of Seller at [], or at such other time and place as the parties may mutually agree. The date on which the Closing occurs is herein referred to as the "Closing Date." The Closing shall be deemed effective for all purposes as of 12:01 a.m. (midnight), CST, on the first day following the Closing Date (the "Effective Time").

2.2 Closing Deliveries.

(a) Seller. At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following:

- (i) a bill of sale, assignment and assumption agreement, in substantially the form attached as Exhibit B (the "Bill of Sale"), duly executed by Seller;
- (ii) an assignment and assumption of lease for the Premises of each Center, in substantially the form attached as Exhibit C or such other appropriate

document or instrument of transfer, as the case may require, in a form mutually satisfactory to Purchaser and Seller (collectively, the “Assignment and Assumption of Lease”), each duly executed by Seller and, if required, with the written consent of the applicable landlord;

(iii) **[optional]** an administrative services agreement, in substantially the form attached hereto as Exhibit E (the “Transition Services Agreement”), duly executed by Seller;]

(iv) a franchise agreement for the each Center, in the standard form currently offered by Seller’s affiliate, Service Experts Franchising, LLC (“Franchisor”) to new franchisees (the “Franchise Agreement”), together with an Addendum to Franchise Agreement in the form attached as Exhibit F, duly executed by Franchisor;

(v) such other documents and items as are contemplated by this Agreement or as Purchaser may reasonably request, each in form and substance reasonably satisfactory to Purchaser.

(b) Purchaser. At the Closing, Purchaser shall deliver or pay, or cause to be delivered or paid, to Seller:

(i) the Closing Date Payment by wire transfer of immediately available funds to the account(s) designated in writing by Seller;

(ii) the Bill of Sale, duly executed by Purchaser;

(iii) the Assignment and Assumption of Lease for each Center, duly executed by Purchaser, together with any release document releasing Seller, duly executed by the landlord for the Center;

(iv) the Transition Services Agreement, duly executed by Purchaser;

(v) the Franchise Agreement and related documents including guaranties for the each of the Center(s), duly executed by Purchaser and its owners;

(vi) evidence reasonably satisfactory to Seller confirming that Purchaser has obtained all insurance policies required under the Leases and the Franchise Agreements, naming Seller, Franchisor, and the landlord as additional insureds to the extent required thereunder, including copies of certificates of insurance evidencing such policies; and

(vii) such other documents and items as are contemplated by this Agreement or as Seller may reasonably request, each in form and substance reasonably satisfactory to Seller.

ARTICLE III

[Earnest Money Deposit] Purchase Price; Ancillary Agreements; Certain Allocations

3.1 [Earnest Money Deposit]. Within two (2) business days after the Effective Date, Purchaser shall deposit the sum of \$_____ (the "Earnest Money") with _____, as escrow agent ("Escrow Agent") pending the Closing of this sale or termination of this Agreement. If Purchaser fails to deposit the Earnest Money with the Escrow Agent within such period, Seller may terminate this Agreement by providing written notice thereof to Purchaser before Purchaser deposits the Earnest Money. The Escrow Agent shall hold the Earnest Money in an interest bearing account and all references to "Earnest Money" shall be deemed to include the interest, if any, earned on such sums. The Earnest Money shall be non-refundable upon Purchaser's satisfaction or waiver of the inspection contingency set forth in Section 8(1)(a) and shall be applied to the amount of the Closing Date Payment to be paid by Purchaser. In the event that Purchaser terminates this Agreement prior to the expiration of the Inspection Period, as defined in Section 8.1(a), the Earnest Money [less \$_____ for costs and expenses incurred by Seller including *(need to insert a description of the costs and expenses)*] shall be returned to Purchaser.]

3.2 Purchase Price. The aggregate purchase price for the Acquired Assets (the "Purchase Price") shall consist of the following: (a) the Cash Purchase Price and (b) the assumption by the Purchaser of the Assumed Liabilities. As provided in Section 2.2(b), Purchaser shall pay at the Closing an amount equal to the Closing Date Payment, to or at the direction of Seller, by wire transfer of immediately available funds to the account(s) designated in writing by Seller.

3.3 Post-Closing Adjustment and Prorations.

(a) Adjustments and Prorations. All revenues and expenses of Seller arising from the operation of the Center(s) prior to the Effective Time, including, without limitation, those arising under the Assumed Contracts, any Taxes, insurance costs, common area maintenance expenses or other expenses due to the landlords under the Leases, business and license fees, utility charges, real and personal property Taxes levied against the Acquired Assets, leasehold rentals and other charges, property and equipment rentals, fees, sales and service charges, [other Taxes, wages, salaries, vacation, and sick leave, personal days, commissions and other employee compensation for Terminated Employees hired by Purchaser], and prepaid and deferred items, shall be prorated between Purchaser and Seller, and an appropriate adjustment to the Purchase Price shall be made, in accordance with the principle that, except as otherwise expressly set forth in this Agreement, (i) Seller shall receive all revenues, and shall be responsible for all expenses, relating to the operation of the Center(s) for the period ending immediately prior to the Effective Time, and (ii) Purchaser shall receive all revenues, and shall be responsible for all expenses, relating to the operation of the Center(s) thereafter. An adjustment to the Purchase Price shall be made in favor of Purchaser to the extent that Purchaser assumes any liability under any Assumed Contracts to refund (or to credit against payments otherwise due) any customer deposit, security deposit, or similar prepayment paid to Seller by any customer, lessee or other third party which is not otherwise credited to Purchaser. An adjustment of the Purchaser Price shall be made in favor of Seller to the extent that Seller has made (A) any security deposit or similar prepayment under any Assumed Contract regardless of the period to which such deposit may be prorated or (B) any other payment under any Assumed Contract relating to the period beginning at the Effective Time, to the extent Purchaser receives the post-Closing

benefits associated with such prepayment. Except as otherwise expressly set forth in this Agreement, Seller shall be liable for all of the costs of employee compensation or other benefits relating to the operation of the Center(s) attributable to services provided by Terminated Employees prior to the Effective Time, including (1) all Taxes and related contributions, vacations, paid time off and sick pay due and owing and (2) all group medical dental or death benefits, whether reported by the Effective Time or thereafter. Purchaser shall be liable for all of the costs of employee compensation and other benefits relating to the operation of the Center(s) attributable to service provided by Terminated Employees, if any, as well as by Transferred Employees to Purchaser after the Effective Time and shall also be responsible for honoring unused vacation time, paid time off and sick time accrued by Transferred Employees prior to the Effective Time as further described in Article VI. If the amount of Taxes with respect to any of the Acquired Assets for the calendar year in which the Closing occurs has not been determined as of the Closing Date, then the Taxes with respect to such Acquired Assets for the preceding calendar year shall be used to calculate such prorations, with known changes in valuation being applied as reasonably determined by Seller and Purchaser. Prorations pursuant to this Section 3.3(a) and the related adjustments to the Purchase Price will be determined in accordance with GAAP (which may include, as appropriate for period expenses such as certain Taxes, prorations based on number of days in the period elapsed through the Closing Date and number of days remaining in the period following the Closing Date) and, insofar as feasible, paid on the Closing Date based upon Seller's good faith calculation delivered to Purchaser no less than three (3) days prior to the Closing Date.

(b) Inventory. Following the close of business of the Center(s) on the Closing Date, Seller shall conduct, or cause to be conducted, a full physical count and qualitative inspection of all unopened Inventory. Purchaser shall have the right to designate one or more representatives to observe, participate in and verify such physical inventory, at Purchaser's expense. Except for mathematical errors, the unopened Inventory count shall be final, binding and conclusive on the parties for all purposes of this Agreement. The unopened Inventory shall be valued at cost in accordance with GAAP and shall be determined utilizing the inventory derived from the foregoing physical counts and qualitative inspections.

(c) Proposed Adjustment Statement. On or before 5:00 p.m., CST, on the thirtieth (30th) day after the Closing Date, Seller shall prepare in good faith and submit to Purchaser a statement (the "Proposed Adjustment Statement"), setting forth in reasonable detail and with reasonable supporting documentation, Seller's proposed calculation of (i) the Cash Purchase Price, (ii) adjustments or prorations required by Section 3.2(a), and (iii) the value of the unopened Inventory determined in accordance with Section 3.2(b), and in each case of the foregoing clauses (i) through (iii) determined in accordance with this Agreement and, to the extent not inconsistent with this Agreement and otherwise applicable to the particular calculation, GAAP.

(d) Review of Proposed Adjustment Statement. Seller shall grant Purchaser and its authorized representatives access to such work papers or other documents and information as Purchaser may reasonably request relating to Seller's calculation, and Purchaser's review of the calculation, of the amounts included in the Proposed Adjustment Statement and shall make appropriate officers available to assist Purchaser and its representatives and timely respond to questions in connection with Purchaser's review of the Proposed Adjustment Statement.

(e) Notices of Disputes. Purchaser shall have until 5:00 p.m., CST, on the twentieth (20th) day after the date of receipt by Purchaser of the Proposed Adjustment Statement to give to Seller written notice of any dispute regarding the amounts reflected in the Proposed Adjustment Statement. If Purchaser does not timely give Seller written notice of a dispute in accordance with this Section 3.3(f), the Proposed Adjustment Statement shall be deemed to have been accepted and agreed to by Purchaser in the form in which it was delivered as the Final Adjustment Statement and shall be final and binding on all parties hereto in all respects. Any written notice of dispute regarding the Proposed Adjustment Statement (a “Dispute Notice”), as to each dispute, shall, to the extent reasonably practicable, set forth in reasonable details the elements and amounts with which Purchaser disagrees, including the amounts of any adjustments that are necessary in the reasonable judgment of Purchaser for the computations contained in the Proposed Adjustment Statement and the general basis for Purchaser’s suggested adjustments. During the twenty (20)-day period ending at 5:00 p.m., CST, on the twentieth (20th) day following the date of Seller’s receipt of a Dispute Notice, Purchaser and Seller shall make reasonable good faith efforts to resolve any disputed items and agree in writing upon the final content of the Proposed Adjustment Statement or to stipulate to such portion thereof with respect to which there is no dispute.

(f) Dispute Resolution.

(i) If Purchaser and Seller are unable to resolve or stipulate to all disputed items relating to the Proposed Adjustment Statement within the twenty (20)-day period referenced in Section 3.3(f), the matters with respect to which no resolution or stipulation can be reached (the “Disputed Items”) shall be submitted to and resolved by the independent accounting firm of [] at [] or such other nationally recognized independent accounting firm selected by mutual agreement of Purchaser and Seller (the “Independent Accounting Firm”); provided, however, if the Independent Accounting Firm is unwilling to so serve (the date of notice of such unwillingness to serve, the “Decline Date”) and Purchaser and Seller are unable to agree on another nationally recognized independent accounting firm within five (5) days after the Decline Date, then within ten (10) days after the Decline Date, each of Purchaser and Seller shall select an office of an independent accounting firm of nationally recognized standing and such two (2) firms shall, within fifteen (15) days after the Decline Date, then select a third independent accounting firm of nationally recognized standing to resolve any remaining Disputed Items (the firm selected in accordance with the foregoing, the “Settlement Firm”).

(ii) Purchaser and Seller (A) shall each immediately enter into a customary engagement letter with the Settlement Firm in which the scope of the Settlement Firm’s engagement is specified in reasonable detail that is consistent with this Agreement and (b) shall instruct the Settlement Firm that a written determination (which shall contain the underlying reasoning) of the Settlement Firm with respect to such Disputed Items and the accuracy of the Proposed Adjustment Statement as a result of the resolution of such Disputed Items shall be completed and provided to Purchaser and Seller within thirty (30) days after the engagement of the Settlement Firm. The Settlement Firm shall only resolve each Disputed Item by making an adjustment to the Proposed Adjustment Statement that is within the range for the Disputed Item defined by the amount of such Disputed Item in the Proposed Adjustment Statement delivered by Purchaser or

Seller pursuant to Section 3.3(d) and the amount of such Disputed Item included in the respective Dispute Notice. The resolution and determination of the Disputed Items by the Settlement Firm shall be based solely on the provisions of this Agreement and on written submissions and presentations by Purchaser and Seller (or their respective representatives), and not on independent review by the Settlement Firm and such resolution by the Settlement Firm shall be conclusive, final and binding on all parties in all respects, absent fraud or manifest error.

(iii) The term “Final Adjustment Statement” means, as applicable, (A) the Proposed Adjustment Statement (including the final amounts contained therein) if Purchaser does not timely dispute such statement in accordance with Section 3.3(f), (B) there are no Disputed Items, the Final Adjustment Statement (including the final amounts contained therein) mutually agreed to by Purchaser and Seller or (C) if there are Disputed Items, the Final Adjustment Statement (including the final amounts contained therein) determined by the Settlement Firm after its resolution and determination of the Disputed Items in accordance with Section 3.3(g)(ii). The Final Adjustment Statement, however determined in accordance with this Agreement shall be conclusive, final and binding on all parties in all respects and shall constitute an arbitral award upon which a judgment may be rendered by a Governmental Entity having proper jurisdiction thereover.

(g) Allocation of Fees, Costs and Expenses of Settlement Firm. Fifty percent (50%) of the fees, costs and expenses of the Settlement Firm shall be borne by Purchaser and the remaining fifty percent (50%) of the fees, costs and expenses of the Settlement Firm shall be borne by Seller.

(h) True-Up Payment.

(i) If the Closing Date Payment is less than the Cash Purchase Price, as reflected in the Final Adjustment Statement, then Purchaser shall pay to or at the direction of Seller, by wire transfer of immediately available funds to an account designated by Seller, the amount in U.S. dollars of such shortfall within two (2) business days after the final determination of the Final Adjustment Amount.

(ii) If the Closing Date Payment exceeds the Cash Purchase Price, as reflected in the Final Adjustment Statement, then Seller shall pay to or at the direction of Purchaser, by wire transfer of immediately available funds to an account designated by Seller, the amount in U.S. dollars of such excess within two (2) business days after the final determination of the Final Adjustment Amount.

3.4 Allocation. No less than fifteen (15) days prior to the Closing Date, Seller shall provide to Purchaser a schedule allocating the Purchase Price among the Acquired Assets and the Initial Franchise Fee set forth in the Franchise Agreements (the “Draft Allocation Schedule”) for Purchaser’s review, comment and consent (such consent not to be unreasonably withheld, conditioned or delayed). Upon agreement between Seller and Purchaser (including any adjustments to the Draft Allocation Schedule agreed to by the parties), such schedule shall be the “Agreed Allocation Schedule”. In the event that Seller and Purchaser cannot agree on an Agreed Allocation Schedule, (a) the items in disagreement shall be promptly submitted to the Independent Accounting Firm and (b) in the absence of fraud or manifest error, such resolution by the Independent Accounting Firm will be conclusive and binding upon Purchaser and Seller. After the Effective Time, the parties shall make consistent use of the allocation, fair market value

and useful lives specified in the Agreed Allocation Schedule for all Tax purposes and in any and all Tax Returns, forms, filings, declarations and reports related to Taxes with any Governmental Entity, including the United States Internal Revenue Service (the “IRS”), including the forms required to be filed under Section 1060 of the Code, if applicable, it being understood that Purchaser shall prepare and deliver IRS Form 8594 to Seller within forty-five (45) days after the Closing Date if such form is required to be filed with the IRS.

ARTICLE IV

Representations and Warranties of Seller

Seller represents and warrants to Purchaser as of the date hereof as follows:

4.1 Authorization. Seller has the requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is or will be a party and to fully perform its obligations hereunder and thereunder. This Agreement has been validly executed and delivered by Seller and, assuming the due authorization, execution and delivery of this Agreement by Purchaser, constitutes a valid and binding agreement of Seller, and is enforceable against Seller in accordance with its terms, except as that enforceability may be subject to (a) any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors’ rights generally and (b) general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.2 No Violation; Required Consents. Neither the execution and delivery of this Agreement or any of the Ancillary Agreements to which Seller is or will be a party by Seller nor the consummation of the transactions contemplated hereby and thereby by Seller shall (a) violate any Legal Requirement to which such Seller is a party or is bound or to which any of the Acquired Assets is subject or is bound, or (b) subject to obtaining any consents or sending any notices required under any contracts, violate or result in a material breach of or constitute a material default (or would result in or constitute such a breach or default with notice or lapse of time or both) under any provision of any contract except those contracts listed in Schedule 4.2.

4.3 Title to Acquired Assets. Seller, or its Affiliate, has good and valid title to, or a valid leasehold interest in, all of the material tangible personal property included in the Acquired Assets, free and clear of Liens other than Permitted Liens and Liens that will be released as of Closing.

4.4 Tax Matters.

(a) Seller has timely filed within the time period for filing, or any extension granted with respect thereto, all Tax Returns which Seller is required to file relating to any and all Taxes and such Tax Returns are true and correct in all material respects;

(b) Seller has paid all Taxes, if any, due and payable by such Seller prior to Closing in connection with the Acquired Assets or that arise or accrue out of the ownership of the Acquired Assets or the operation of the Center(s); and

(c) There are (i) no current Liens for past due Taxes, (ii) no pending audits, examinations, assessments, asserted deficiencies or claims for Taxes which, if adversely determined, would result in a Lien on the Acquired Assets or (iii) outstanding agreements or waivers extending the statutory period of limitation applicable to any Tax Return of Seller for any period.

4.5 Permits. As of the date hereof, to Seller's Knowledge, all material Permits included in the Acquired Assets are valid and in full force and effect. No Proceeding is pending or, to Seller's Knowledge, threatened to revoke or terminate any material Permit or declare any material Permit invalid in any respect.

4.6 Proceedings. As of the date hereof, to Seller's Knowledge, there is no pending Proceeding against Seller relating to the Center(s) or the Acquired Assets except those listed on Schedule 4.6. As of the date hereof, there is no Order against Seller that adversely affects the Acquired Assets, the Premises or the Center(s).

4.7 Real Property. Seller does not own any real property used in the operation of the Center(s). Exhibit A sets forth the address of the leased real property used exclusively by Seller in connection with the operation of the Center(s), and Schedule 1.2(b) describes the Leases for the Center(s). Each Lease grants Seller a valid leasehold interest in the leased real property and is in full force and effect. Seller has not sent nor received written notice of any default under any Lease which has not been waived or cured nor has Seller materially breached any material covenant, agreement or condition contained in any Lease which has not been waived or cured, nor, to Seller's Knowledge, has there occurred any event which with the passage of time or the giving of notice or both would constitute such a material breach by Seller under any Lease. All rents due and payable under the Lease have been paid and no amounts are currently past due under any Lease.

4.8 Compliance With Laws Generally. As of the date hereof, to Seller's Knowledge, Seller has complied and is in current compliance in all material respects with all Legal Requirements applicable to the Center(s) as currently conducted or the ownership, use or possession of the Acquired Assets to which it is subject or by which it is bound; provided, however, that no representations or warranties are made pursuant to this Section 4.8 in respect of Legal Requirements relating to Taxes (the sole and exclusive representations and warranties regarding which are set forth in Section 4.4) or whether Government Consents are required.

4.9 "AS IS, WHERE IS" PURCHASE. PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER IS NOT MAKING ANY REPRESENTATIONS OR WARRANTIES EXCEPT AS SET FORTH IN ARTICLE IV AND PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT IT IS PURCHASING THE ACQUIRED ASSETS ON AN "AS IS, WHERE IS" AND "WITH ALL FAULTS" BASIS WITHOUT REPRESENTATIONS, WARRANTIES OR COVENANTS, EXPRESS OR IMPLIED. IT IS FURTHER UNDERSTOOD AND AGREED BY PURCHASER THAT SELLER IS NOT MAKING, AND SPECIFICALLY DISCLAIMS, ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, AS TO THE PHYSICAL CONDITION OF THE ACQUIRED ASSETS WITH REGARD TO THE VALUE, CONDITION, MERCHANTABILITY, MARKETABILITY, PROFITABILITY, SUITABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

ARTICLE V

Representations and Warranties of Purchaser

Purchaser represents and warrants to Seller that as of the date hereof as follows:

5.1 Authorization. Purchaser has the requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is or will be a party in connection with the transactions contemplated by this Agreement and to fully perform its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery hereof by Seller, constitutes a valid and

binding agreement of Purchaser, and is enforceable against Purchaser in accordance with its terms, except as such enforceability may be subject to (a) any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally and (b) general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.2 No Violation. Neither the execution and delivery of this Agreement or any of Ancillary Agreements to which Purchaser is or will be a party by Purchaser, nor the consummation of the transaction contemplated hereby and thereby by Purchaser shall (i) violate or result in a material breach of or constitute a material default (or would result in or constitute such a breach or default without notice or lapse of time or both) under any of the provisions of any material indenture, mortgage, lease or other agreement to which Purchaser is a party or is bound, or (ii) violate any Legal Requirement to which Purchaser is a party or is bound.

5.3 Proceedings. As of the date hereof, there is not pending nor, to Purchaser's knowledge, threatened against Purchaser any Proceeding, except those listed on Schedule 5.3.

5.4 Financing. Purchaser has available sufficient cash in immediately available funds to consummate the transactions contemplated by this Agreement, as of the date hereof and will have sufficient cash for such at the Closing.

ARTICLE VI

Employment Matters

[To be included on a State by State basis]

Purchaser shall, or shall cause an Affiliate of Purchaser to, offer employment, effective as of the Effective Time, to at least 90% of the employees of Seller or any of its Affiliates working at the Center(s) and engaged exclusively in the operation of the Center(s), including employees who are absent due to vacation, sickness, paid time off, leave of absence or short-term or long-term disability (the "Employees"), with all Business Employees who accept such employment and commence employment as of the Effective Time being referred to herein as "Transferred Employees"). In no case shall Purchaser (together with any of its Affiliates) offer to hire less than the number of Employees required to ensure that Seller will not be obligated under the Worker Adjustment and Retraining Notification Act ("WARN") to issue WARN notices to the Employees on or before the Effective Time. Such offers shall be made no less than seven (7) business days before the Closing Date and Purchaser shall provide a list to Seller of the Employees to whom such offers are being made and whether such offers have been accepted no less than three (3) days before the Closing Date. During the ninety (90) days following the Effective Time, Purchaser agrees not to take any action that would trigger any obligations or liabilities under WARN or any similar Legal Requirement. On the Closing Date, Purchaser will employ the Transferred Employees on terms comparable to industry standards but as determined by Purchaser in its sole discretion. Purchaser shall, or shall cause an Affiliate of Purchaser to, recognize all service of the Transferred Employees with Seller or any of its Affiliates, as if such service were with Purchaser, for vesting, eligibility (including, without limitation, for leaves of absences) and accrual purposes (including unused vacation time, paid time off and sick time); provided, however, such service shall not be recognized to the extent that such recognition would result in a duplication of benefits. If Purchaser offers medical, dental, pharmaceutical, vision, and/or disability benefits to any Transferred Employee, Purchaser will do so as required by law and as required by insurance company coverage policies. Purchaser shall be solely responsible for any obligations arising under Section 4980B of the Code (the "COBRA Requirements") with respect to all "M&A qualified

beneficiaries” as defined in Treasury Regulation § 54.4980B-9. In particular, but without limiting the foregoing obligation, Purchaser shall provide and continue to provide all continuation coverage under its, or an Affiliates’, group health plans required by ERISA, the Code and applicable law for (i) any Employees who terminate (or have terminated and have elected, or are eligible to elect, continuation of coverage under the COBRA Requirements) employment with the Center(s) before the Effective Time or (ii) any Employees who terminate employment as of the Effective Time who do not become Transferred Employees (“Terminated Employees”). If Purchaser or its Affiliates do not continue to maintain a group health plan after the Effective Time, and Seller or any of its Affiliates is required by ERISA, the Code, or applicable law to provide continuation coverage under its group health plans to any such employees identified in (i) or (ii) or as an M&A qualified beneficiary, Purchaser shall indemnify Seller or any of its Affiliates, as applicable, for any costs, claims, or liabilities incurred by Seller or any of its Affiliates in connection with it providing such coverage.

ARTICLE VII

Covenants

7.1 Conduct of the Business of the Center(s). Prior to the Closing, unless Purchaser otherwise consents in writing (which consent shall not be unreasonably withheld or delayed) or except as expressly contemplated by this Agreement, Seller shall use its commercially reasonable efforts to carry on the business of the Center(s) in the ordinary course in the same manner as presently conducted and to keep the operations supporting the Center(s) materially intact, including preserving Seller’s present relationships with licensors, suppliers, customers and others having material business relations with the Center(s).

7.2 Consents. After the date hereof and prior to the Closing, Seller and Purchaser shall use their commercially reasonable efforts to obtain any third-party consent, approval, or authorization or provide any notification to any third party that is required to be obtained or given in connection with the transactions contemplated by this Agreement and is a counterparty to the contracts identified on Schedule 4.2; provided, that Seller shall not be required to make any expenditure or payment to any such third party or to make any amendment to any of such contracts in any case to obtain such consent or approval. If any such payment, fee, reimbursement for expenses are due, then Purchaser shall reimburse Seller for the amount thereof as part of the Proposed Adjustment Statement and Final Adjustment Statement.

7.3 Additional Agreements. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its respective commercially reasonable efforts to take or do, or cause to be taken or done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement. If at any time after the Closing Date, any further action is necessary to carry out the purposes of this Agreement and the Ancillary Agreements, the parties shall take all such action as is commercially reasonable.

7.4 Post-Closing Cooperation. From and after the Closing Date, each party agrees to cooperate with the other party as may be reasonably necessary for the continued operation of the Center(s) under the circumstances that Purchaser is a separate entity and operator than Seller of the Center(s).

7.5 Investigation; No Other Representations or Warranties.

(a) Purchaser acknowledges that it has made its own inquiry and investigation into, and, based thereon, has formed an independent judgment concerning, the Center(s)

and the Acquired Assets and Purchaser has been furnished with or given full access to such information about the Center(s) and the Acquired Assets as it requested and considered material in determining whether to enter into this Agreement and to consummate the transactions contemplated by this Agreement. Purchaser acknowledges that it has had an opportunity to ask all questions of and receive answers from Seller with respect to any matter it considers material in determining whether to enter into this Agreement and to consummate the transactions contemplated by this Agreement.

(b) Purchaser has relied solely on the representations and warranties expressly and specifically set forth in Article IV of this Agreement and, except for the representations and warranties that are expressly set forth in Article IV of this Agreement, none of Seller or any of its Affiliates or representatives has made, and shall not be deemed to have made, to Purchaser or to any of its representatives, any representation or warranty of any kind. Except as expressly set forth herein, no Person has been authorized by Seller to make any representation or warranty relating to the Center(s), the Acquired Assets or otherwise in connection with the transactions contemplated by this Agreement and, if made, such representation or warranty may not be relied upon.

7.6 Sales Taxes. Purchaser shall bear one hundred percent (100%) of any sales Taxes, use Taxes, transfer Taxes, documentary charges, recording fees or similar Taxes, charges, fees or expenses ("Transfer Taxes") that may become payable in connection with the sale of the Acquired Assets to Purchaser or in connection with the transactions contemplated by this Agreement. Purchaser and Seller shall reasonably cooperate with one another in minimizing such Transfer Taxes and cooperate in preparing and filing any Transfer Tax exemption or reductions forms.

7.7 Post-Closing Repairs. In the event of any material failure of any major equipment component set forth on Schedule 7.7 (each, a "Major Equipment Component") that is not due to gross negligence, misuse or other fault by Purchaser during the period from and after the Closing Date until 120 days following the Closing Date such that the cost to repair such Major Equipment Component is \$1,000 or more per repair work order (in any such case, a "Component Failure"), Purchaser shall give prompt notice to Seller upon discovery thereof by delivering such notice to [_____] at [e-mail] or [phone number]. Following receipt of such notice of a Component Failure, Seller shall have the option, in its sole discretion, to elect to (i) repair or restore the Major Equipment Component affected by the Component Failure (the "Affected Equipment Component") to substantially its condition immediately prior to the occurrence of such Component Failure or (ii), if the Affected Equipment Component is destroyed or damaged beyond repair or if the estimated cost of repair exceeds the estimated cost of replacement, replace the Affected Equipment Component. The maximum aggregate amount of repair, restoration, or replacement costs for Affected Equipment Components for which Seller shall be responsible pursuant to this Section 7.7 shall not exceed \$20,000. Purchaser agrees to grant Seller and its representatives, access to the Premises at all reasonable times so that Seller and its representatives may evaluate the Affected Equipment Component and make any necessary or appropriate repair, restoration or replacement.

ARTICLE VIII

Conditions to Closing

8.1 Conditions to Purchaser's Obligation. The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions at or before the Closing:

- (a) Commencing on the Effective Date and extending for a period of thirty (30) days (the "Inspection Period") Purchaser shall have the right to physically inspect the Center(s) and the Acquired Assets in order to determine if they are in satisfactory working condition; provided, however, that such inspections shall be performed in the presence of a designated Service Experts LLC representative at times and locations that are mutually agreeable. Without the prior consent of [] as the main point of contact and deal manager of Service Experts LLC, Purchaser shall not contact any Service Experts LLC employee working at, or responsible for the supervision of, the Center(s). Prior to the expiration date of the Inspection Period, Purchaser shall notify Seller in writing that (i) it accepts the Center(s) and Acquired Assets in their current condition, (ii) it waives its right to inspect the Center(s) and/or Acquired Assets or, (iii) it is terminating this Agreement
- (b) All representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects at and as of the Closing with the same effect as though such representations and warranties were made at and as of the Closing.
- (c) Seller shall have performed or complied in all material respects with all the covenants and agreements required by this Agreement to be performed or complied with by it at or prior to the Closing.
- (d) Seller shall have delivered to Purchaser a certificate signed by a duly authorized officer of Seller stating that each of the conditions specified in clauses (a) and (b) of this Section 8.1 have been satisfied.
- (e) All documents, instruments, certificates and other items required to be delivered by Seller pursuant to Section 2.2(a) shall have been delivered.
- (f) No statute, rule, regulation or Order shall be in effect or shall have been enacted, entered, promulgated, or enforced by, any Governmental Entity of competent jurisdiction that enjoins or prohibits the consummation of the transactions contemplated by this Agreement.
- (g) All consents, approvals, Orders, authorizations or other actions of any Governmental Entity ("Government Consents") set forth on Schedule 8.1(f) shall have been filed, occurred, or been obtained.
- (h) Purchaser shall have received evidence reasonably acceptable to Purchaser of the release and termination of all Liens on the Acquired Assets, other than Permitted Liens.
- (i) Since the date of this Agreement, there shall not have occurred any material adverse changes to the financial condition, Acquired Assets or results of operations of the Center(s).
- (j) Since the date of this Agreement, no Proceeding relating to the Center(s) or the Acquired Assets shall have been commenced, and no Order against Seller shall have been entered, by or before any Governmental Entity that, in the reasonable, good faith determination of Purchaser, is reasonably likely to have a material adverse effect on the financial condition, Acquired Assets or operations of the Center(s).

Any condition specified in this Section 8.1 may be waived by Purchaser; provided, that no such waiver shall be effective against Purchaser unless it is set forth in a writing executed by an authorized officer of Purchaser.

8.2 Conditions to Seller's Obligation. The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions at or before the Closing:

(a) All representations and warranties of Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Closing with the same effect as though such representations and warranties were made at and as of the Closing.

(b) Purchaser shall have performed or complied in all material respects with the covenants and agreements required by this Agreement to be performed or complied with by it at or prior to the Closing.

(c) Purchaser shall have delivered to Seller a certificate signed by a duly authorized officer of Purchaser stating that each of the conditions specified in clauses (a) and (b) of this Section 8.2 have been satisfied.

(d) All documents, instruments, certificates and other items required to be delivered by Purchaser pursuant to Section 2.2(b) shall have been delivered.

(e) No statute, rule, regulation or Order shall be in effect or shall have been enacted, entered, promulgated, or enforced by, any Governmental Entity of competent jurisdiction that enjoins or prohibits the consummation of the transactions contemplated by this Agreement.

(f) All Governmental Consents set forth on Schedule 8.1(f) shall have been filed, occurred, or been obtained.

(g) All Liens on the Acquired Assets, other than Permitted Liens, shall have been released or terminated.

(h) Since the date of this Agreement, no Proceeding relating to the Center(s) or the Acquired Assets shall have been commenced, and no Order against Purchaser shall have been entered, by or before any Governmental Entity that, in the reasonable, good faith determination of Seller, is reasonably likely to have a material adverse effect on the financial condition, Acquired Assets, Premises or operations of the Center(s).

Any condition specified in this Section 8.2 may be waived by Seller; provided, that no such waiver shall be effective against Seller unless it is set forth in a writing executed by an authorized officer of Seller.

ARTICLE IX

Termination

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of Seller and Purchaser;

(b) by Purchaser in the event of a breach by Seller of any representation, warranty, covenant or agreement contained in this Agreement which (A) would give rise to the failure of a condition to the Closing hereunder and (B) cannot be or has not been cured within the lesser of thirty (30) days or the occurrence of the Termination Date (the "Cure Period") following receipt by Seller of written notice of such breach from Purchaser;

(c) by Seller in the event of a breach by Purchaser of any representation, warranty, covenant or agreement contained in this Agreement which (A) would give rise to the failure of a condition to the Closing hereunder and (B) cannot be or has not been cured during the Cure Period; provided, however, that there shall be no Cure Period for Purchaser's failure to obtain all funds on or prior to the Closing Date necessary to pay the Closing Date Payment (which failure shall constitute a material breach hereunder);

(d) by either Seller or Purchaser:

(i) if a court of competent jurisdiction or other Governmental Entity shall have issued an Order (which Order the parties hereto shall use their best efforts to lift), in each case, permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement, and such Order shall have become final and nonappealable; or

(ii) if the Closing shall not have occurred by 5:00 p.m., CST, on [] (the "Termination Date"); provided, however, that the right to terminate this Agreement under this clause shall not be available to any party whose breach of this Agreement has been the principal cause of, or primarily resulted in, the failure of the Closing to occur on or before the Termination Date.

9.2 Effect of Termination. In the event of a termination of this Agreement by either Seller or Purchaser as provided in Section 9.1, this Agreement shall forthwith become void and of no further force or effect with no liability or obligation hereunder on the part of Purchaser or Seller or their respective Affiliates, officers, directors, managers, employees, members or shareholders; provided, however, that (i) this Section 9.2, Section 9.3, and Article XI (other than Section 11.11, which shall not survive termination) shall survive such termination and (ii) the liability of any party for willful breach by such party of the representations, warranties, covenants or agreements of such party set forth in this Agreement occurring prior to the termination of this Agreement shall survive the termination of this Agreement and the non-breaching party shall be entitled to pursue any and all legally available remedies and to seek the recovery of all Losses, liabilities, damages, costs and expenses of every kind and nature, including reasonable attorneys' fees and court costs.

9.3 Return of Documentation. Following a termination of this Agreement in accordance with Section 9.1, Purchaser shall (a) return all agreements, documents, contracts, agreements, instruments, books, records, materials and all other information relating to the Center(s), the Assumed Contracts and the Assumed Liabilities provided to Purchaser by Seller or any of its representatives (and the provisions of the Confidentiality Agreement shall apply to all such materials) and (b) destroy all analyses, compilations, data, studies, notes, interpretations, memoranda or other documents prepared by Purchaser or its respective Affiliates or representatives (including in electronic form) that refer to, relate to, discuss, contain or are based on, in whole or in part, any information or documentation set forth in clause (a).

ARTICLE X

Indemnification

10.1 Indemnification Obligations of Seller. Subject to the terms and conditions of this Agreement, Seller shall indemnify Purchaser and its officers, directors, stockholders, managers, members, employees, heirs, executors, agents, successors, assigns, accountants, advisors and attorneys (the "Purchaser Indemnitees") for any and all Losses suffered or incurred by the Purchaser Indemnitees to the extent caused by any of the following:

- (a) any breach of any representation or warranty made by Seller in this Agreement;
- (b) any breach or default in the performance of any agreement or covenant of Seller required by this Agreement to be performed by it; and
- (c) the Excluded Liabilities.

10.2 Indemnification Obligations of Purchaser. Subject to the terms and conditions of this Agreement, Purchaser shall indemnify Seller and its officers, directors, stockholders, managers, members, employees, heirs, executors, agents, representatives, successors, assigns, accountants, advisors and attorneys (the "Seller Indemnitees") for any and all Losses suffered or incurred by any such Seller Indemnitees to the extent caused by any of the following:

- (a) any breach of any representation or warranty made by Purchaser in this Agreement;
- (b) any breach or default in the performance of any agreement or covenant of Purchaser required by this Agreement to be performed by it; and
- (c) the Assumed Liabilities.

10.3 Survival and Time Limitations. All representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and the Closing until 5:00 p.m., CST, on the one hundred eightieth (180th) day following the Closing Date (the "Expiration Date"). Each covenant or agreement contained in this Agreement to be performed at or prior to Closing shall survive the execution and delivery of this Agreement and the Closing until 5:00 p.m., CST, on the ninetieth (90th) day after Closing. Each covenant or agreement contained in this Agreement to be performed after the Closing shall survive in accordance with its terms until fully performed. Any indemnification claim made under Section 10.1 or Section 10.2 must be asserted in a written indemnity claim delivered to the Indemnitor in accordance with Section 10.8 prior to 5:00 p.m., CST, on the last day of the respective survival period as specified in this Section 10.3 and may not be asserted after such date; provided, however, that any indemnification claim for which a written indemnity claim is given within the time period set forth above shall survive until such claim has been finally resolved in accordance with this Article X.

10.4 Deductible Amount; Maximum Claim. The Purchaser Indemnities shall not be entitled to indemnification pursuant to Section 10.1(a) unless and until the aggregate amount of Losses from claims indemnifiable under Section 10.1(a) exceeds ten percent (10%) of the Purchase Price (the "Deductible Amount"), and then only to the extent of such excess. Seller's aggregate liability under Section 10.1 shall be limited in the aggregate to ___ percent (___%) of

the Purchase Price, without offset for any repair, restoration or replacement costs for which Seller becomes liable under Section 7.7.

10.5 Exercise of Rights by Indemnitees. Indemnification claims of the Seller Indemnitees may be made and enforced hereunder solely by Seller on their behalf. Indemnification claims of the Purchaser Indemnitees may be made and enforced hereunder solely by Purchaser on their behalf.

10.6 No Duplication of Recovery. Any amounts payable pursuant to this Article X shall be paid without duplication (e.g. if one Purchaser Indemnitee is reimbursed for a Loss, another Purchaser Indemnitee may not be reimbursed for the same Loss), and in no event shall any Indemnitee be indemnified under different provisions of this Agreement for the same Loss if such indemnification would result in duplication of payment of such Loss. Without limiting the generality of the foregoing, Seller shall not have any liability pursuant to this Article X in respect of any item or any Loss that has been reimbursed from insurance.

10.7 Net Losses; Subrogation; Mitigation.

(a) Notwithstanding anything contained herein to the contrary, the amount of any Losses for which an Indemnitee may be entitled to indemnification under this Article X shall be reduced to the extent of (i) any insurance proceeds that the Indemnitee or any of its Affiliates actually receives with respect to such Losses (including those from affiliated insurance companies), less any deductibles, costs, and expenses actually incurred in connection with making any claim or obtaining such insurance proceeds, and (ii) any Tax benefit that actually reduces the Taxes of the Indemnitee arising from the incurrence or payment of any such Loss (net of any Tax detriment to such Indemnitee). Each Indemnitee shall exercise commercially reasonable efforts to obtain such proceeds, benefits and recoveries. If any such proceeds, benefits or recoveries are received by an Indemnitee or any of its Affiliates with respect to any Losses after payment has been made to the Indemnitee with respect thereto, the Indemnitee shall promptly pay back, or cause its appropriate Affiliate to pay back, the amount of such proceeds, benefits or recoveries (up to the amount received by the Indemnitee with respect to such Losses, subject to the limitations herein) to the Indemnitee.

(b) Upon an Indemnitee's receipt of any indemnification payments in respect of any Losses, the Indemnitor shall, to the extent of such payment, be subrogated to all rights and claims of the Indemnitee against any Person in respect of the Losses to which such payment relates. In such a case, the Indemnitee shall execute all instruments reasonably necessary to evidence or further perfect such subrogation rights.

(c) Each party entitled to indemnification under this Article X shall use commercially reasonable efforts to mitigate Losses after becoming aware of an event that would reasonably be expected to give rise to any Losses that are indemnifiable or recoverable under this Article X.

10.8 Claims.

(a) Claim Procedure. If a Purchaser Indemnitee or a Seller Indemnitee entitled to indemnification pursuant to this Article X (the "Indemnitee") intends to make an indemnity claim under this Agreement, then the Indemnitee shall deliver to the party or parties obligated to provide indemnification pursuant to this Article X (the "Indemnitor") a written

indemnity claim (i) stating that the Indemnitee has paid or suffered, or expects to pay or suffer, Losses in an aggregate amount (which may be estimated or described) and, to the extent such information is available to the Indemnitee, the individual items of Losses (which may be estimated or described) that are included in the aggregate amount and (ii) stating that the Indemnitee believes in good faith that it is entitled to indemnity from the Indemnitor pursuant to this Agreement with respect to such Losses and specifying the indemnification provisions contained in this Agreement upon which the indemnity claim is being made. Notwithstanding the foregoing, an indemnity claim that is based on a claim from a Person that is not a party hereto or an affiliate of a party hereto (a "Third Party Claim") need only include a description (and a copy of all pleadings and correspondence to or from any third party related thereto, if available) of the Third Party Claim together with a statement that the Indemnitee is entitled to indemnification with respect to such Third Party Claim and any other information that the Indemnitee deems appropriate. Unless the Indemnitee and Indemnitor agree in writing to another process at that time, the Indemnitee shall have 30 days to object to such claim (other than a Third Party Claim), and failing to timely object and submit, shall promptly pay to the Indemnitee an amount sufficient to fully indemnify the Indemnitee from and against such Losses in accordance with this Article X.

(b) Third Party Claims.

(i) The Indemnitee shall give the Indemnitor reasonable notice of the assertion or commencement by any Person of any Third Party Claim against the Indemnitee in accordance with Section 10.8(a); provided, however, that any failure on the part of the Indemnitee to notify the Indemnitor shall not limit any of the obligations of the Indemnitor under this Agreement except to the extent that such failure actually and materially prejudices the defense of such Third Party Claim. In the event of the assertion or commencement by any Person of any Third Party Claim against an Indemnitee with respect to which the Indemnitor is, or could be determined to be, obligated to indemnify and hold harmless the Indemnitee pursuant to this Agreement, the Indemnitor shall be entitled to assume the defense of any Third Party Claim with counsel reasonably satisfactory to the Indemnitee, at the Indemnitor's sole expense; provided, however, that the Indemnitor shall not be entitled to assume or continue control of the defense of any Third Party Claim (A) to the extent that the Third Party Claim seeks an injunction or equitable relief against any Indemnitee, (B) if the interests of the Indemnitor and the Indemnitee with respect to such claim are in conflict with one another and, as a result, the Indemnitor could not adequately represent the interests of the Indemnitee in such claim, or (C) if the Indemnitor fails to give written notice that it shall assume the defense of such Third Party Claim within 30 days after receiving the Indemnitee's written indemnification claim notice pursuant to Section 10.8(a).

(ii) If the Indemnitor assumes the defense of any Third Party Claim, (A) it shall not settle, adjust or compromise or permit a default or consent to entry of any judgment in respect of the Third Party Claim without the prior written consent of the Indemnitee unless such settlement, adjustment, compromise or judgment (1) does not entail any admission of liability, criminal offense or a violation of any Legal Requirement on the part of any Indemnitor, (2) includes an unconditional full and complete written release of each Purchaser Indemnitee or Seller Indemnitee, as applicable from all Losses with respect to such Third Party Claim, and (3) involves solely monetary damages; and (B) the Indemnitor shall have the right (but not the obligation) to participate in the defense of such Third Party Claim and

to employ, at its own expense, counsel separate from counsel employed by the Indemnitor.

(iii) If the Indemnitor does not or is not permitted to assume the defense of a Third Party Claim pursuant to this Section 10.8(b) and the Indemnitee does assume the defense thereof, the Indemnitee shall not settle, adjust or compromise or permit a default or consent to entry of any judgment in respect of any Third Party Claim if the Indemnitor shall have any obligation as a result of such settlement (whether monetary or otherwise) unless such settlement, adjustment, compromise, or judgment is consented to in writing by the Indemnitor, such consent not to be unreasonably withheld, conditioned, or delayed. All reasonable attorneys' fees and other costs and expenses relating to the defense by the Indemnitee shall be included in Losses if the Indemnitee is, or is determined to be, entitled to indemnification pursuant to this Agreement.

(iv) Each party shall cooperate, and cause their respective representatives and Affiliates to cooperate, in the defense or prosecution of any Third Party Claim. Without limiting the generality of the foregoing, if the Indemnitee assumes the defense of a Third Party Claim in accordance with this Section 10.9(b), the Indemnitor shall make available to the Indemnitee any documents and materials in its possession or control that may be necessary to the defense, negotiation or settlement of such Third Party Claim. Without limiting the generality of the foregoing, if the Indemnitor assumes the defense of a Third Party Claim in accordance with this Section 10.8(b), the Indemnitee shall make available to the Indemnitor any documents and materials in its possession or control that may be necessary to the defense, negotiation or settlement of such Third Party Claim. Any consent to be given by the Purchaser Indemnitees under this Section 10.8(b) shall be given by Purchaser acting on behalf of the Purchaser Indemnitees and any consent to be given by the Seller Indemnitees under this Section 10.8 shall be given by Seller acting for and on behalf of the Seller Indemnitees.

(c) With respect to a Third Party Claim under this Section 10.8, after (i) any final decision, judgment, or award shall have been rendered by a Governmental Entity of competent jurisdiction and the expiration of the time in which to appeal therefrom, (ii) a settlement shall have been consummated, or (iii) the Indemnitee and the Indemnitor shall have arrived at a mutually binding agreement: (A) if the Indemnitee is a Seller Indemnitee, the Seller Indemnitee shall forward to Purchaser notice of any sums due and owing by it in accordance with this Agreement with respect to such matter and Purchaser shall pay all of such remaining sums so due and owing to the Seller Indemnitee in accordance with this Article VI and (B) if the Indemnitee is a Purchaser Indemnitee, the Purchaser Indemnitee shall forward to Seller notice of any sums due and owing by it in accordance with this Agreement with respect to such matter and Seller shall pay all of such remaining sums so due and owing to the Purchaser Indemnitee in accordance with this Article X.

10.9 Exclusive Remedy. From and after Closing, the sole and exclusive remedy with respect to any and all claims (whether framed in tort, contract or otherwise, but other than claims arising from intentional fraud on the part of a party in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement, or obligation set forth herein or otherwise relating to the transactions contemplated hereby, shall be pursuant to the indemnification provisions set forth in this Article X. In furtherance of the foregoing, except in connection with intentional fraud on the part of a party in connection with the transactions

contemplated by this Agreement, each party hereby waives, to the fullest extent permitted under Legal Requirements, any and all rights, claims, and causes of action for any breach of any representation, warranty, covenant, agreement, or obligation set forth herein or otherwise relating to the Transactions contemplated by this Agreement it may have against the other party and its Affiliates and each of their respective representatives arising under or based upon any Legal Requirement or in equity, except pursuant to the indemnification provisions set forth in this Article X.

10.10 No Waiver Relating to Claims for Intentional Fraud. Notwithstanding any provision of this Agreement to the contrary, the liability of any party hereto under this Article X will be in addition to, and not exclusive of, any other liability that such party may have at law or equity based on such party's intentional fraud in connection with the transactions contemplated by this Agreement. No provision set forth in this Agreement, including any other provision of this Article X, will be deemed a waiver by any party to this Agreement of any right or remedy which such party may have at law or equity based on any other party's intentional fraud in connection with the Transactions, nor will any such provisions limit, or be deemed to limit, (a) the amounts of recovery sought or awarded in any such claim for intentional fraud; (b) the time period during which a claim for intentional fraud may be brought; or (c) the recourse that any such party may seek against another party with respect to a claim for intentional fraud in connection with the transactions contemplated by this Agreement; provided, however, that with respect to such rights and remedies at law or equity, the parties further acknowledge and agree that none of the provisions of this Section 10.11 will be deemed a waiver of any defenses that may be available in respect of actions or claims for intentional fraud, including defenses of statutes of limitations or limitations of damages.

ARTICLE XI **Miscellaneous**

11.1 Definitions. For purposes hereof, the following terms, when used herein with initial capital letters, shall have the respective meanings set forth herein:

"Affiliates" means, with respect to any specified Person, any other Person that directly, or indirectly through one (1) or more intermediaries, controls, is controlled by, or is under common control with such Person. For purposes of this definition, "control" as applied to any person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreed Allocation Schedule" shall have the meaning set forth in Section 3.4.

"Agreement Regarding Leased Location by Tenant" shall have the meaning set forth in Section 2.2(a)(vi).

"Ancillary Agreements" means the Bill of Sale, the Assignment and Assumption of Lease, the Administrative Services Agreement, the Franchise Agreement(s), and each other agreement, instrument and document executed and delivered by the parties in connection with the transactions contemplated by this Agreement.

"Assignment and Assumption of Lease" shall have the meaning set forth in Section 2.2(a)(ii).

“Assumed Contracts” shall have the meaning set forth in Section 1.2(c).

“Bill of Sale” shall have the meaning set forth in Section 2.2(a)(i).

“Cash Purchase Price” means an amount in U.S. dollars equal to (a) the Closing Date Payment, plus or minus (b) the adjustments to the Purchase Price for adjustments and proration pursuant to Section 3.2(a), as finally determined in the Final Adjustment Statement, plus (c) the adjustment to the Purchase Price for the value of the unopened Inventory determined in accordance with Section 3.2(b), as finally determined in the Final Adjustment Statement.

“Closing” shall have the meaning set forth in Section 2.1.

“Closing Date Payment” means an amount in U.S. Dollars equal to [____], as calculated and set forth in Schedule 3.1.

“Code” means the United States Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

“Cure Period” shall have the meaning set forth in Section 9.1(a)(ii).

“Decline Date” shall have the meaning set forth in Section 3.3(g)(i).

“Deductible Amount” shall have the meaning set forth in Section 10.4.

“Disputed Items” shall have the meaning set forth in Section 3.3(g)(i).

“Dispute Notice” shall have the meaning set forth in Section 3.3(f).

“Draft Allocation Schedule” shall have the meaning set forth in Section 3.4.

“Earnest Money” shall have the meaning set forth in Section 3.1.

“Escrow Agent” shall have the meaning set forth in Section 3.1.

“Effective Time” shall have the meaning set forth in Section 2.1.

“Expiration Date” shall have the meaning set forth in Section 10.3.

“Final Adjustment Statement” shall have the meaning set forth in Section 3.3(g)(iii).

“Franchise Agreement” shall have the meaning set forth in Section 2.2(a)(v).

“GAAP” means generally accepted accounting principles consistently applied.

“Government Consents” shall have the meaning set forth in Section 8.1(g).

“Governmental Entity” means any governmental department, commission, board, bureau, agency, court, arbitrator or other instrumentality of the United States or any state, county, parish, municipality, jurisdiction, or other political subdivision thereof.

“Indemnatee” shall have the meaning set forth in Section 10.8(a).

“Independent Accounting Firm” shall have the meaning set forth in Section 3.3(g)(i).

“Intellectual Property” means any and all domestic and foreign: (a) Internet domain names and rights associated with such domain names; (b) issued patents, pending patent applications (including provisional, continuation, continuation-in-part and divisional applications), and unfiled patent applications; (c) trademarks, trademark registrations, pending trademark registration applications, trade dress, copyrights, copyright registrations, pending copyright registration applications, logos, business and product names, and other trade names and slogans; (d) moral rights; (e) unpatented inventions, specifications, processes, formulae, recipes, manuals, trade secrets, proprietary technical information or know-how, industrial models, manufacturing, engineering and technical drawings and product specifications; (f) intellectual property rights similar to the foregoing; and (g) copies and tangible embodiments thereof (in whatever form or medium, including electronic media).

“Inventory” shall have the meaning set forth in Section 1.2(d).

“Legal Requirements” or “Legal Requirement” means all applicable federal, state, local, municipal or foreign laws, ordinances, principles of common law, codes, regulations, rules, statutes, directives, Orders and writs of any Governmental Entity or any similar provisions having the force and effect of law.

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

“Lien” means any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction.

“Loss” or “Losses” means all debts, liabilities, damages, obligations, claims, interest (including prejudgment interest), penalties, fines, costs, fees and expenses (including reasonable legal fees and expenses and court costs) that directly and naturally arise from or relate to, and are the probable and reasonably foreseeable result of, the breach of this Agreement; provided, however, that in no event shall Losses include any amounts in respect of punitive damages (except for punitive damages actually paid in connection with a Third Party Claim).

“Major Equipment Component” shall have the meaning set forth in Section 7.7.

“Orders” means all decrees, judgments, injunctions, rulings or other orders of a Governmental Entity having competent jurisdiction.

“Permits” shall have the meaning set forth in Section 1.2(f).

“Permitted Liens” mean any (a) Lien for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) statutory Liens of landlords and mechanics', carriers', workmen's, repairmen's or other like Liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar Liens affecting real property; (d) other than with respect to owned real property, Liens arising under original purchase price

conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and (e) other Liens, if any, that would not reasonably be expected to materially adversely affect the business of the Center(s) as currently conducted.

“Person” means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity, or a Governmental Entity.

“Purchaser Indemnitees” shall have the meaning set forth in Section 10.1.

“Proceeding” means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

“Proposed Adjustment Statement” shall have the meaning set forth in Section 3.3(d).

“Business Employees” shall have the meaning set forth in Article VI.

“Seller Indemnitees” shall have the meaning set forth in Section 10.2.

“Seller’s Knowledge” (and any derivation thereof, whether capitalized or not) means the current, actual knowledge and awareness (and shall not include any deemed or constructive knowledge or awareness) of [the President, Vice President of Finance and the Vice President of Business Development] of Seller.

“Settlement Firm” shall have the meaning set forth in Section 3.3(g)(i).

“Tax” or “Taxes” means any income, corporation, gross receipts, profits, gains, capital stock, capital duty, franchise, gross margin, withholding, social security, unemployment, disability, property, wealth, welfare, stamp, excise, occupation, transfer, documentary, sales, use, value added, stamp, registration, alternative minimum, estimated or other similar tax (including any fee, assessment or other charge in the nature of or in lieu of any tax) imposed by any Governmental Entity, and any interest, penalties, additions to tax or additional amounts in respect of the foregoing, and including any transferee or secondary liability in respect of any tax (whether imposed by law, contractual agreement or otherwise).

“Tax Returns” means returns, declarations, reports, claims for refund, information returns or other documents (including any related or supporting schedules, statements or information) filed or required to be filed by any party in connection with the determination, assessment or collection of Taxes or the administration of any laws, regulations or administrative requirements relating to any Taxes.

“Terminated Employees” shall have the meaning set forth in Article VI.

“Third Party Claim” shall have the meaning set forth in Section 10.8(a).

“Transfer Taxes” shall have the meaning set forth in Section 7.6.

“Transferred Employees” shall have the meaning set forth in Article VI.

"Transition Services Agreement" shall have the meaning set forth in Section 2.2(a)(iv).

"WARN" shall mean the Worker Adjustment and Retraining Notification Act in effect as of the Effective Date and any amendments thereto.

11.2 Expenses. Except as otherwise expressly provided in this Agreement, each of the parties hereto will pay its respective fees and expenses incurred by it or on its behalf in connection with the transactions contemplated by this Agreement, whether or not such transactions are consummated.

11.3 Binding Effect; Assignment. No party to this Agreement may assign its rights or obligations hereunder, by operation of law or otherwise, without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and shall be binding upon the parties hereto, and their respective heirs, executors, successors and permitted assigns of such parties. No assignment shall limit the assignor's obligations hereunder.

11.4 Amendment. This Agreement may be amended, supplemented or otherwise modified only by an instrument in writing signed by Seller and Purchaser.

11.5 Notices. All notices, communications and deliveries hereunder shall be made in writing signed by or on behalf of the party making the same, shall specify the Section hereunder pursuant to which it is given or being made, and shall be delivered personally or by electronic transmission or sent by registered or certified mail (return receipt requested) or by any national overnight courier service (with postage and other fees prepaid) as follows:

If to Purchaser:

[_____]
[_____]
[_____]

Attention:
Email:

If to Seller:

Service Experts LLC
[address]
Attention: [_____]
Email:

or to such other address or to such other person or persons designated in writing by such party or counsel, as the case may be. Any such notice, communication or delivery shall be deemed given or made (a) on the date of delivery if delivered in person, (b) on the first business day after delivery to a national overnight courier service, (c) upon transmission by electronic mail if receipt is confirmed by telephone or (d) on the fifth business day after it is mailed by registered or certified mail.

11.6 Entire Understanding. This Agreement (including the exhibits), together with the Ancillary Agreements, represents the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior understandings, agreements (including the Letter of Intent between Seller and Purchaser dated [_____] as amended), negotiations, representations, undertakings, correspondence, memoranda, conversations or other communications with respect thereto, whether oral or written, with respect to the subject matter of this Agreement and the Ancillary Agreements.

11.7 Electronic Signatures. The exchange of copies of this Agreement or of any other document contemplated by this Agreement (including any amendment or any other change thereto) and of digital signature pages shall constitute effective execution and delivery of this Agreement as to the parties.

11.8 Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of Texas, without giving effect to any choice or conflict of laws principle or rule that would require the application of any other Legal Requirements other than those of the State of Texas.

11.9 Jurisdiction; Service of Process. Any Proceeding arising out of or relating to this Agreement or any transaction contemplated by this Agreement shall be brought in the courts of the State of Texas, County of Dallas, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Texas, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the Proceeding shall be heard and determined only in any such court, and agrees not to bring any Proceeding arising out of or relating to this Agreement or any transaction contemplated hereby in any other court. The parties agree that either or both of them may file a copy of this section with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any Proceeding referred to in the first sentence of this Section may be served on any party anywhere in the world.

11.10 WAIVER OF JURY TRIAL. THE PARTIES EACH HEREBY IRREVOCABLY WAIVE THEIR RIGHTS TO A JURY TRIAL IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE ANCILLARY AGREEMENTS.

11.11 Enforcement of Agreement. Each party acknowledges and agrees that the other parties would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any violation or breach of this Agreement by it could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which the other party may be entitled, at law or in equity, it shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent any violations or breaches or threatened violations or breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

11.12 Waiver. Neither any failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by Legal Requirements, (i) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

11.13 Confidentiality. Subject to the provisions of Section 11.14 below, Purchaser covenants and agrees that it will maintain strict confidentiality with respect to this Agreement and the terms thereof; provided, however, Purchaser may make such disclosures to its lenders, attorneys, accountants and other consultants to the extent such is necessary to negotiate and enter into this Agreement. Purchaser shall indemnify, protect, defend and hold Seller and Seller's officers, directors and employees harmless from and against any and all damages, actions, liabilities, costs and expenses arising from or attributable to a breach by Purchaser of this section. In addition, Purchaser acknowledges that its breach of this section shall cause Seller irreparable harm and shall be a default of this Agreement without notice or opportunity to cure and Seller shall have the right to pursue any and all remedies available to it under this Agreement, in equity or at law. The terms and provisions contained in this paragraph shall survive the termination of this Agreement.

11.14 Public Announcements. Subject to Legal Requirements, in each case as determined by Seller, any filing, public announcement, press release or similar publicity with respect to this Agreement or the transactions contemplated by this Agreement will be issued, if at all, only at such time and in such manner as Seller shall reasonably determine; provided, that, subject to such Legal Requirements, Seller shall provide Purchaser a draft of any press release prior to its release and shall provide Purchaser a reasonable opportunity to comment thereon. Seller and Purchaser will consult and agree with each other concerning the means by which Seller's or any of its Affiliates' employees and Seller's customers, suppliers and others having dealings with Seller will be informed of the transactions contemplated by this Agreement, and Purchaser shall have the right to be present for any such communication.

11.15 No Third Party Beneficiaries. Except as provided in Article XI, nothing in this Agreement is intended to confer, and shall not confer, any rights or remedies, whether express or implied, on any Persons other than the parties hereto and their successors and permitted assigns.

11.16 Interpretation and Construction.

(a) Except as otherwise provided in this Agreement, all payments pursuant hereto shall be made by wire transfer in United States Dollars in immediately available funds without any set-off, deduction, or counterclaim whatsoever.

(b) Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular. The words "hereof," "herein," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole, including exhibits and schedules hereto, and not to any particular provision of this Agreement. When a reference is made in this Agreement to Articles, Exhibits, Sections, or Schedules, such reference shall be to an Article, Exhibit, Section, or Schedule to this Agreement unless otherwise indicated. The words "include," "includes," and "including" shall be deemed in each case to be followed by the words "without limitation." Pronouns in the masculine, feminine, and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(c) The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or

burden of proof shall arise favoring or disfavoring any party because of the authorship of any provision of this Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, except as otherwise expressly provided in this Agreement, no amount shall be (or is intended to be) included, in whole or in part (either as an increase or a reduction), more than once in the calculation of (including any component of) the components of Purchase Price, Cash Purchase Price, Closing Date Payment or any other calculated amount pursuant to this Agreement if the effect of such additional inclusion (either as an increase or a reduction) would be to cause such amount to be given duplicative effect.

11.17 Severability. If any term or provision of this Agreement is held invalid, illegal or unenforceable by any court of competent jurisdiction, the other terms and provisions of this Agreement will remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Any provision of this Agreement held invalid, illegal or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid, illegal or unenforceable. Upon a determination that any term or other provision is invalid, illegal or unenforceable, Purchaser and Seller shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

11.18 No Director or Affiliate Liability. This Agreement may only be enforced against, and any Proceeding based upon, arising out of, or related to this Agreement, or the negotiation, execution or performance of this Agreement, may only be brought against the parties hereto and then only with respect to the specific obligations set forth in this Agreement with respect to such party. No past, present or future director, officer, employee, incorporator, manager, member, partner, stockholder, agent, attorney, Affiliate or other representative of any party hereto, or any of their successors or permitted assigns, shall have any liability for any obligations or liabilities of any party under this Agreement or for any claim or Proceeding based on, in respect of, or by reason of the transactions contemplated by this Agreement.

11.19 Time. Time is of the essence in each and every provision of this Agreement and the Ancillary Agreements.

Signature page follows

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement effective as of the day and year first above written.

PURCHASER:

[_____]

By: _____

Name: _____

Title: _____

SELLER:

Service Experts LLC

By: _____

Name: _____

Title: _____

EXHIBIT A TO ASSET PURCHASE AGREEMENT

ADDRESSES OF CENTERS

[FOLLOWS THIS COVER PAGE]

EXHIBIT B TO ASSET PURCHASE AGREEMENT

BILL OF SALE, ASSIGNMENT AND ASSUMPTION AGREEMENT

[FOLLOWS THIS COVER PAGE]

EXHIBIT C TO ASSET PURCHASE AGREEMENT

ASSIGNMENT AND ASSUMPTION OF LEASE

[FOLLOWS THIS COVER PAGE]

EXHIBIT D TO ASSET PURCHASE AGREEMENT

ADMINISTRATIVE SERVICES AGREEMENT

[FOLLOWS THIS COVER PAGE]

EXHIBIT E TO ASSET PURCHASE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT FOR REFRANCHISING PROGRAM

THIS ADDENDUM to Franchise Agreement (the "Addendum") is executed contemporaneously with the SERVICE EXPERTS® Franchise Agreement between Service Experts Franchising, LLC ("Franchisor") and _____ ("Franchisee") for the SERVICE EXPERTS® Center located at _____ (the "Franchise Agreement").

BACKGROUND

Franchisee is purchasing the assets of one or more company-owned SERVICE EXPERTS® businesses from an affiliate of Franchisor pursuant to a Letter of Intent dated [REDACTED] (the "LOI") and an Asset Purchase Agreement dated [REDACTED] (the "Purchase Agreement"). As a condition of closing the transaction, Franchisee is signing Franchisor's standard form of Franchise Agreement for each acquired Center. Because some of the terms of the standard Franchise Agreement are not appropriate for a business that is already open and operating, Franchisor and Franchisee are also signing this addendum to the Franchise Agreement for each acquired Business to revise the relevant terms.

AGREEMENT

In recognition that the Center identified above is already in operation, Franchisor and Franchisee agree to modify the Franchise Agreement as provided in this Addendum. Capitalized terms used but not otherwise defined in this Addendum have the same meaning as in the Franchise Agreement.

1. FRANCHISE FEE: The Franchise Fee under Section _____ is reduced to \$_____ [and has been paid as part of the purchase price for the Center].
2. PRE-OPENING: Section 4.1-4.2 and 4.4 are deleted.
3. OPENING DEADLINE: Section 4.7 is deleted.
4. TRAINING: Section 5.1 is amended as follows: _____
5. FINANCING: Refer to Exhibit C.
6. [other special terms]
7. In the event of any conflict between the Franchise Agreement and this Addendum, the terms of this Addendum will control.

SERVICE EXPERTS FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Print Name: _____

Title: _____

SCHEDULE 1.1

PERMITTED LIENS

1. Contractual and statutory Liens of landlords applicable to the Acquired Assets.

SCHEDULE 1.2(b)

ASSUMED CONTRACTS

[FOLLOWS THIS COVER PAGE]

SCHEDULE 1.2(f)

PERMITS/LICENSES

None.

SCHEDULE 1.2(h)

SECURITY DEPOSITS AND PREPAID ITEMS

[FOLLOWS THIS COVER PAGE]

SCHEDULE 1.3

OTHER EXCLUDED ASSETS

None.

SCHEDULE 1.4

OTHER ASSUMED LIABILITIES

None.

SCHEDULE 3.1

CALCULATION OF CLOSING DATE PAYMENT

[FOLLOWS THIS COVER PAGE]

SCHEDULE 4.2

CONTRACTS REQUIRING CONSENTS AND NOTICES

1. Consent of applicable landlords and lessors to the assignment of Leases shown on attached Schedule 1.2(b).

SCHEDULE 4.6

SELLER'S PROCEEDINGS

None.

SCHEDULE 5.3

PURCHASER'S PROCEEDINGS

(To be completed by Purchaser)

SCHEDULE 7.7

MAJOR EQUIPMENT COMPONENTS

SCHEDULE 8.1(f)

GOVERNMENT CONSENTS

None.

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT ("Agreement") dated _____ is between Service Experts LLC ("Seller") and _____ ("Purchaser").

- A. Seller and Purchaser have entered into an Asset Purchase Agreement dated _____ (the "Asset Purchase Agreement") under which Purchaser is acquiring from Seller the SERVICE EXPERTS® businesses at the locations listed on Exhibit A (the "Center(s)").
- B. As a condition of the closing of the asset purchase, Purchaser is entering into a Franchise Agreement with Seller's affiliate, Service Experts Franchising, LLC, for each of the Centers (collectively the "Franchise Agreements" and individually a "Franchise Agreement").
- C. As a further condition of the closing of the transaction, Purchaser is entering into this Agreement to obtain certain transition services from Seller for the Centers.

The parties agree as follows:

1. Purchaser hereby engages Seller as an independent contractor to provide certain transition services for the operation of the Centers, and Seller accepts the engagement and agrees to perform the Services, all in accordance with the terms and conditions hereinafter set forth.
2. Seller shall provide to Purchaser the services listed on Exhibit B (the "Services"). Seller shall use reasonable efforts to perform the Services in a competent and timely fashion. Unless Seller and Purchaser otherwise agree in writing, the Services shall only apply to and shall only be provided for and in connection with the operation of the Centers as SERVICE EXPERTS businesses and shall not apply to or be provided for or in connection with the operation of any other business operated at the premises where the Center is located.
3. As compensation for the Services, Purchaser shall pay to Seller a monthly fee of \$_____ ("the Monthly Fee"), payable in advance on the 1st of each month. Seller will debit the Monthly Fee by ACH transfer from Purchaser's operating account. Purchaser shall also pay any sales tax, value-added tax or other taxes that may be imposed on Seller in connection with this Agreement, except for taxes based on Seller's income.
4. Seller shall not be deemed to be in violation of this Agreement if Seller is prevented or delayed from performing the Services for any reason beyond its control, including without limitation acts of God, strikes or labor disputes, the elements, acts of a public enemy, inability to procure materials or laws, statutes or other regulations of the federal or any state or local government, or any agencies thereof.
5. It is expressly understood that the systems, methods, procedures and controls employed by Seller in the performance of the Services are proprietary in nature and shall remain the property of Seller, and shall at no time be utilized, distributed, copied or otherwise employed by Purchaser except in accordance with the terms and objectives of this Agreement and the Franchise Agreements.

6. The term of this Agreement shall commence as of the date of this Agreement and shall continue until [the second anniversary of the closing of the asset purchase].

7. This Agreement may be terminated before the end of its term, by written notice, in the following circumstances:

(a) By Purchaser or Seller if the other party suspends its business, becomes bankrupt or insolvent, makes an assignment of its assets or business for the benefit of its creditors, or has a receiver appointed for all or substantially all of its assets.

(b) By Seller, if Purchaser is in default of this Agreement, any Franchise Agreement, the Asset Purchase Agreement, or any other agreements entered into in connection with the acquisition of the Centers.

8. If, in Seller's sole judgment, Seller is unable to provide specific Services due to the Purchaser's unwillingness or inability to provide essential information which those Services require, then Seller may give written notice to the Purchaser of the cessation of some or all of those Services. This will not, however, relieve Purchaser of its obligation to pay the Monthly Fee.

9. Seller shall not be liable to Purchaser for any error of judgment nor for any act or omission in the performance of this Agreement.

10. Neither party shall have the right to assign this Agreement without the prior written consent of the other party, except that Seller may assign this Agreement to any one or more of its affiliates.

11. This Agreement contains the entire agreement between the parties with respect to the Services and shall be binding upon and inure to the benefit of their successors and permitted assigns and shall supersede any prior agreements, representations, correspondence, and negotiations concerning the Services.

12. No agency, partnership, joint venture or employment or joint-employer relationship is created between the parties as a result of this Agreement. Any recommendation or advice by Seller shall not be a directive to the management of Purchaser. Purchaser remains the sole employer of its employees.

13. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held invalid, the remainder of the Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected.

14. All notices, communications and deliveries hereunder shall be made in writing signed by or on behalf of the party making the same, shall specify the Section hereunder pursuant to which it is given or being made, and shall be delivered personally or by electronic transmission or sent by registered or certified mail (return receipt requested) or by any national overnight courier service (with postage and other fees prepaid) as follows:

If _____ to Purchaser: _____ _____ _____ Attention: Email:	If _____ to Seller: Service Experts LLC [address] Attention: _____ Email:
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or to such other address or to such other person or persons designated in writing by such party or counsel, as the case may be. Any such notice, communication or delivery shall be deemed given or made (a) on the date of delivery if delivered in person, (b) on the first business day after delivery to a national overnight courier service, (c) upon transmission by electronic mail if receipt is confirmed by telephone or (d) on the fifth business day after it is mailed by registered or certified mail.

15. This Agreement is governed by and shall be interpreted under the laws of the State of Texas, without giving effect to any choice or conflict of laws principle or rule that would require the application of any laws other than those of the State of Texas.

16. Any proceeding arising out of or relating to this Agreement or any transaction contemplated by this Agreement shall be brought in the courts of the State of Texas, County of Dallas, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Texas, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the proceeding shall be heard and determined only in any such court, and agrees not to bring any proceeding arising out of or relating to this Agreement or any transaction contemplated hereby in any other court. The parties agree that either or both of them may file a copy of this section with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any proceeding referred to in the first sentence of this Section may be served on any party anywhere in the world.

17. THE PARTIES EACH HEREBY IRREVOCABLY WAIVE THEIR RIGHTS TO A JURY TRIAL IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SERVICE EXPERTS LLC

By: _____
Duly Authorized Agent

PURCHASER

By: _____
Duly Authorized Agent

EXHIBIT A

Centers

EXHIBIT B

Accounting and Cash Management Services

1. Seller will provide accounting and financial statement preparation to Purchaser in a manner consistent with Seller's operation of the Centers prior to closing.
2. Seller will collect fees and amounts owed by Purchaser by ACH transfer from Purchaser's operating account. Transfers will or may include amounts for rent, payroll, royalties, marketing fund contributions, insurance charges, technology fees, and purchases.
3. Seller will provide any other electronic funds transfers that are desired by Purchaser and reasonably practical to provide.

Information Technology Services

1. Seller will provide information technology services as outlined in the _____ Agreement.

Payroll Services

1. Seller will distribute weekly compensation to employees of the Centers.
2. Seller will prepare and file all required federal, state and local employment tax reports.
3. Seller will remit on a timely basis all required payroll taxes and withholdings.
4. Seller will provide standard payroll reporting information to Purchaser for review purposes and for appropriate recording in Purchaser's books and records.
5. Seller will provide unemployment-related and other miscellaneous payroll related information as needed.
6. If applicable, Seller will prepare and file child support reports and wage garnishments reports.

[Vendor/Purchasing Services]

[Employee Benefits and Workers Compensation]

[Insurance Services]

Exhibit C Promissory Note and Security Agreement for Acquisition of Company-Owned Center

SECURED PROMISSORY NOTE

\$ _____

____, 2025

FOR VALUE RECEIVED, _____ (the "Maker"), a resident of _____, promises to pay to the order of Service Experts Heating & Air Conditioning LLC (the "Lender"), a Delaware limited liability company, the principal sum of _____ Dollars (\$ _____) plus or minus adjustments for inventory, prepaid expenses, and other items provided for in the Asset Purchase Agreement (as defined below), with interest as provided below.

This Note is made pursuant to that certain Asset Purchase Agreement dated as of _____, 2025 (the "Asset Purchase Agreement") between the Maker and the Lender with respect to the assets of the Service Experts business located at _____ (the "Center"). This Note evidences indebtedness of the Maker to the Lender for the purchase of the assets.

1. Interest. Interest on the outstanding principal balance of this Note will accrue beginning on _____ at a rate of _____ percent (____%) per annum. Interest shall be calculated on the basis of a year of 365 days. However, notwithstanding any other provision hereof, Lender does not intend to charge and Maker will not be required to pay any interest or other fees or charges in excess of the maximum permitted by applicable law; any payments in excess of the maximum will be refunded to Maker or credited to reduce principal hereunder.

2. Payment. Maker shall pay the principal sum of this Note and interest due thereon to Lender in _____ equal monthly installments of _____ Dollars (\$ _____) due on (____) [one year from closing] and on the _____ day of each subsequent calendar month, with the final payment of all unpaid principal and accrued interest due on [(____) years from closing]. The maximum number of monthly payments under this Note shall be _____ payments. The attached amortization schedule reflects the payment schedule and is incorporated into this Note.

Unless otherwise designated in writing by Lender, all payments to Lender shall be made by electronic funds transfer to an account designated by Lender. Maker shall be responsible for all costs and expenses incurred by Maker and Lender in connection with the electronic funds transfer. All payments received will first be applied to any interest then due, and any balance thereafter remaining to reduction of principal.

This Note may be prepaid at the option of Maker, in whole or in part, without penalty.

3. Grant of Security Interest. As security for payment of this Note, the Maker hereby grants to Lender a continuing security interest in: (a) all of the assets of the Center; and (b) all proceeds, as that term is defined in section 9-102(a)(64) of the Uniform Commercial Code, of any of the foregoing collateral. Reference is made to the Security Agreement of even date herewith between Maker and Lender (the "Security Agreement") for a full description of the security interest granted to Lender, the property subject to Lender's security interest, and the rights of the Lender in respect to such security.

4. Payment Default. As used herein, "Payment Default" means a failure by Maker to make any payment due hereunder which continues uncured for fifteen (15) days after the Maker receives written notice of default. In the event of a Payment Default: (a) Lender may declare all amounts then remaining unpaid on this Note to be immediately due and payable; and (b) Maker

agrees to pay all of Lender's reasonable costs and expenses of collection incurred as a result of the Payment Default, including, without limitation, reasonable attorneys' fees, court costs and disbursements. No waiver by Lender of any Payment Default shall operate as a waiver of any other default or of any Payment Default on a future occasion.

5. Cross-Default and Acceleration. A Payment Default under this Note or a default under the Security Agreement shall also constitute a default by Maker under the Service Experts Franchise Agreement dated [date of closing] between Maker and Service Experts Franchising LLC with respect to the Center (the "Franchise Agreement"). Lender may declare all amounts then remaining unpaid on this Note to be immediately due and payable in the event of: (a) the termination of the Franchise Agreement for any reason; or (b) a transfer of substantially all of the assets of the Franchised Business or of any direct or indirect equity ownership interest in Franchisee that would result in a change of control of Franchisee or the Franchised Business.

6. Waiver of Presentment. The Maker hereby waives presentment, demand, protest and all other notices.

7. Costs of Collection. The Maker shall pay all costs, fees and expenses (including court costs and reasonable attorneys' fees) incurred by Lender in collecting or attempting to collect any amount that becomes due under this Note or in seeking legal advice with respect to such collection or a default hereunder.

8. Representation and Warranty. Maker represents and warrants that the indebtedness evidenced by this Note was made and transacted solely for the purpose of carrying on or acquiring a business or commercial investment.

9. No Oral Modification. This Note may not be changed orally, but only by an instrument in writing signed by Lender and Maker.

10. Governing Law. This Note is governed by and will be construed and enforced in accordance with the law of the State of Texas.

MAKER:

_____, Individually

Attest:

Amortization Schedule

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is made and entered into as of [date of closing of asset purchase agreement] by ("Debtor"), whose address is:

in favor of SERVICE EXPERTS HEATING & AIR CONDITIONING LLC, a Delaware limited liability company ("Secured Party"), whose business address is 3400 N. Central Expressway, Suite 410, Richardson, TX 75080.

1. **Grant of Security Interest:** Debtor hereby grants and assigns to Secured Party a security interest in the following (collectively, the "Collateral"):

1.1 All of the assets of the Service Experts business located at _____, including but not limited to equipment, signs, vehicles, inventory, and accounts receivable (the "Assets");

1.2 All proceeds and products of the Assets and all additions and accessions to, replacement of, insurance or condemnation proceeds of, and documents covering the Assets, all tort or other claims against third parties arising out of damage or destruction of the Assets, all property received wholly or partly in trade or exchange for the Assets, all leases of the Assets and all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition, of the Assets or any interest therein. Nothing in this provision authorizes any sale or other disposition of any of the Assets that would be prohibited by the Service Experts Franchise Agreement dated [date of closing] between Debtor and Secured Party's affiliate, Service Experts Franchising LLC (the "Franchise Agreement").

2. **Security for Payment of Note:** The Collateral secures Debtor's obligations set forth in that certain Secured Promissory Note of even date with this Agreement (the "Indebtedness").

3. **Representations and Warranties:** Debtor represents and warrants as follows:

3.1 **Location of Debtor.** Debtor is an individual residing in the State of _____.

3.2 **Name of Debtor.** Debtor's full legal name is: _____

3.3 **First Priority Lien; Ownership of the Collateral.** This Agreement grants to Secured Party a first and prior lien in the Collateral. Except for the security interest created by this Agreement, Debtor is the full legal and equitable owner of the Collateral and no other person or entity has any right, title, interest or claim in or to the Collateral, or lien on the Collateral or any part of the Collateral, other than a purchase money security interest of which Debtor shall notify Secured Party within five (5) days of the attachment of any such security interest in any part of the Collateral.

4. **Covenants of Debtor:** Debtor will timely perform the following covenants:

4.1 **Repair and Maintenance.** Debtor shall maintain the Collateral, and each part of the Collateral, in good order and repair at Debtor's own cost and expense and shall never use the Collateral, or any part of the Collateral, in a manner resulting, or likely to result, in waste or unreasonable deterioration of the Collateral.

4.2 **Insurance.** Debtor, at Debtor's own cost and expense, shall keep the Collateral insured for its full value against damage or loss resulting from any and all risks to which it might foreseeably be exposed and risks designated by Secured Party. Each such policy of insurance shall be issued by an insurance company acceptable to Secured Party.

4.3 **Taxes and Assessments.** Debtor shall pay from its own funds, as they become due, any and all taxes and assessments levied or assessed against the Collateral, or any part of the Collateral.

4.4 **Disposition of Collateral.** Debtor shall not, without the prior written consent of Secured Party, sell, encumber or otherwise dispose of, or enter into any contract to sell, encumber or dispose of, any portion of the Collateral (except inventory in the ordinary course of business). Upon the sale or other disposition of any portion of the Collateral, Debtor shall immediately segregate the proceeds of the sale, hold such proceeds in trust for Secured Party, and immediately transmit such proceeds to Secured Party for application to the Indebtedness.

4.5 **Change in Name or Location.** Debtor will notify Secured Party at least thirty (30) days in advance of any change in Debtor's name, state of registration, or principal place of business.

5. **Rights of Secured Party:**

5.1 **Inspection of Collateral.** Secured Party, either in person or by agent, shall have the right at any and all reasonable times and at reasonable intervals to enter the premises where the Collateral is located and inspect the Collateral.

5.2 **Payment by Secured Party.** Secured Party may, at its option, but shall not be required to, pay on behalf of Debtor and on the account of Debtor any taxes, assessments, liens, insurance premiums, repair costs or maintenance costs that, pursuant to the terms of this Agreement, should have been but were not paid by Debtor. Secured Party shall also have the right, at its option, to enter the premises where the Collateral or any part of the Collateral is located, and cause to be performed, as agent and on the account of Debtor, any such acts as Secured Party may deem necessary for the proper repair or maintenance of the Collateral or any part of the Collateral if applicable. Any monies expended or expenses incurred by Secured Party under this paragraph shall also be secured by the security interest created by this Security Agreement and shall be due and payable by Debtor to Secured Party, together with interest at the maximum rate allowed by law, on demand.

5.3 **Application of Proceeds of Collateral.** Upon receipt by Secured Party, Secured Party may apply the proceeds of any Collateral, or the proceeds of the disposition of any Collateral, to any portion of the Indebtedness in any order Secured Party determines in its sole discretion.

6. **Events of Default:** Any one or more of the following events shall constitute an event of default by Debtor ("Event of Default") hereunder:

6.1 **Failure to Pay Indebtedness.** Failure to timely pay the Note when due.

6.2 **Failure to Pay Obligations Under Franchise Agreement.** Failure to timely pay any royalty fee, marketing fee, or other charges in respect to any obligations under the Franchise Agreement.

6.3 **Breach of Covenant.** Breach of any covenant set forth in this Agreement, the Franchise Agreement, or any other agreement executed by Debtor in favor of Secured Party.

6.4 **Inaccuracy of Representation or Warranty.** Any representation, warranty, certificate, or other information made or furnished to Secured Party by or on behalf of Debtor under this Agreement is false or misleading in any material respect, either now or at any time made or furnished.

6.5 **Destruction of Collateral.** Loss, theft, damage, or destruction of any material portion of the Collateral for which there is either no insurance coverage or for which, in the opinion of Secured Party, there is insufficient insurance coverage.

6.6 **Levy on Collateral.** The making of any levy, seizure, attachment or lien upon the Collateral which such levy, seizure, attachment or lien shall not be released within 10 days of attachment.

6.7 **Termination of Business; Appointment of Receiver; Bankruptcy; Insolvency.** Debtor or any of its guarantors (1) terminates or suspends the operation of any portion of its business as presently conducted; (2) applies for or consents to the appointment of a receiver, trustee, or liquidator of itself or of all or a substantial part of its assets; (3) becomes unable to, or admits in writing its inability to, pay its debts as they fall due; (4) makes a general assignment for the benefit of its creditors; (5) has an order for relief entered against it under any Chapter of the Bankruptcy Code or is adjudicated to be insolvent; (6) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law or an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding; or (7) takes any action for the purpose of effecting any of the foregoing.

6.8 **Impairment of Collateral.** The Collateral declines in value (other than normal depreciation) or otherwise becomes unsatisfactory to the Secured Party in its reasonable judgment.

7. **Remedies on Default:** If an Event of Default occurs, Debtor shall be in default of this Agreement and Secured Party shall have all the rights and remedies afforded a secured party under the default provisions of the Uniform Commercial Code as in effect on the date of this Agreement in the State of (_____) and, to the extent affording greater rights and remedies to Secured Party, the Uniform Commercial Code in effect at the time of default. In addition, Secured Party shall have the following rights and remedies:

7.1 **Acceleration.** Secured Party may accelerate the maturity of any or all payments due under the Note.

7.2 **Possession of Collateral.** Secured Party may enter on Debtor's premises to assemble and take possession of the Collateral. Debtor hereby grants Secured Party a license to

enter upon and use the premises, at any time during the existence of an Event of Default, for any purpose, including, but not limited to, the operation of the franchised business at the premises.

7.3 **Assembly of Collateral.** Secured Party may require Debtor to assemble the Collateral and make its possession available to Secured Party at a place designated by Secured Party that is reasonably convenient to both Debtor and Secured Party.

7.4 **Disposition of Collateral.** Secured Party may enter Debtor's premises, render the Collateral, if tangible, unusable and dispose of it in the manner provided by the Uniform Commercial Code on Debtor's premises.

7.5 **Sale of Collateral.** Secured Party may sell or dispose of any or all of the Collateral free and clear of all rights and claims of Debtor therein and thereto at any public or private disposition, first deducting from the proceeds all costs and expenses of such sale including, but not limited to, preparing the tangible Collateral for sale, storing and handling the Collateral, advertising the sale and then deducting the primary indebtedness secured by and through this Agreement. Secured Party's notice of the time and place of a public sale of all or part of the Collateral, or the time on or after which a private sale or other disposition of the Collateral will be made, is reasonable if sent to Debtor at least ten (10) days before the public or private sale.

7.6 **Provisional Remedies.** Secured Party may apply to any court of competent jurisdiction for appointment of a receiver to take possession of the Collateral and to enforce any of Secured Party's rights with respect to the Indebtedness, and to seek any other appropriate provisional remedy, including, but not limited to, issuance of a writ of possession.

8. **Agreement Regarding Commercial Reasonableness of Public Sale:** Debtor agrees that Secured Party may sell or otherwise dispose of the Collateral at public or private disposition in any manner that is commercially reasonable within the meaning of the Uniform Commercial Code. Without limiting the foregoing, Debtor agrees that a sale or disposition of the Collateral complying with the following procedure shall be conclusively deemed to be a commercially reasonable public sale:

8.1 **Method of Advertising Sale.** If Secured Party elects to conduct a public sale of all or part of the Collateral, Secured Party may advertise the sale in two newspapers of local or regional distribution chosen at the discretion of Secured Party. Secured Party may, but shall not be required to, notify Debtor of the identity of such newspapers 10 calendar days prior to the appearance of such advertisements. If Secured Party provides such notice and Debtor contends that Secured Party's selection of newspapers is not commercially reasonable, Debtor shall respond to Secured Party within 5 days of the date of Secured Party's notice stating which newspapers Debtor concedes would result in a commercially reasonable sale. Unless Debtor objects to the identity of the newspapers identified in Secured Party's notice within a timely manner, Secured Party's selection of newspaper shall be conclusively deemed to be commercially reasonable. Alternatively, Secured Party may elect to advertise the sale by advertising for ten (10) calendar days part or all of the Collateral on Secured Party's Web site where it advertises franchised stores for sale.

8.2 **Description of Collateral.** If Secured Party elects to conduct a public sale of all or part of the Collateral, and if Secured Party elects to advertise such sale, Secured Party shall include a brief description of the Collateral to be sold in the advertisement. Secured Party may, but shall not be required to, provide Debtor with a sample containing a description of the Collateral

which is substantially similar to the description to be contained in the advertisement 10 calendar days prior to the appearance of such advertisement. If Secured Party provides such notice and if Debtor contends that Secured Party's description of Collateral is not commercially reasonable, Debtor shall respond to Secured Party within 5 days of the date of Secured Party's notice proposing language it concedes would result in a commercially reasonable sale. Unless Debtor provides such proposed language within a timely manner, Secured Party's description of Collateral shall be conclusively deemed to be commercially reasonable.

8.3 **Conduct of Sale.** If Secured Party elects to conduct a public sale of all or part of the Collateral in conformance with the procedures set forth in Paragraphs 8.1 and 8.2 of this Agreement, Secured Party may thereafter hold one or more public auctions, and may sell all or part of the Collateral in one or more lots, between the hours of 8:00 a.m. and 5:00 p.m. local time at a time and place contained in the notice provided in the newspaper or internet advertisements. Such public sale as set forth in Paragraphs 8.1 and 8.2 shall thereafter be conclusively deemed commercially reasonable.

8.4 **Not Exclusive Method.** The foregoing procedure shall not be construed as the exclusive, or even customary method of disposing of part or all of the Collateral, and Secured Party shall be entitled to conduct any disposition of Collateral in any commercially reasonable manner. Non-compliance with the foregoing procedure does not mean that the collection, enforcement, disposition or acceptance of the Collateral was not commercially reasonable, and the commercial reasonableness of any other sale procedure will be determined in the same manner as if the foregoing procedure was not provided.

9. **Waiver of Rights Upon Default:** Debtor hereby waives its rights, to the fullest extent possible, to the following:

9.1 **Notice of Disposition.** The right to notification of disposition of any or all of the Collateral by Secured Party under section 9-611 of the Uniform Commercial Code.

9.2 **Right to Redeem.** The right to redeem any or all of the Collateral under section 9-623 of the Uniform Commercial Code.

10. **Rights of Secured Party Against Guarantor or Accommodation Party:** To the extent Debtor is deemed to be a guarantor, surety or accommodation party of another obligor on the Indebtedness with respect to any of the Indebtedness (a "Primary Obligor"), Debtor agrees and acknowledges as follows:

10.1 **Debtor's Defenses Unavailable.** Debtor waives any defense based on or arising out of any defense of any Primary Obligor on the Indebtedness other than payment in full of the Indebtedness, including without limitation any defense based on or arising out of the disability of such Primary Obligor, the unenforceability of the Indebtedness from any cause, or the cessation from any cause, of the liability of the Primary Obligor other than a payment in full of the Indebtedness.

10.2 **No Obligation to Proceed Against Security.** Debtor waives any right to require Secured Party, or Secured Party's heirs, successors, endorsees or assigns to (i) proceed against any other Primary Obligor or its successors or assigns, (ii) proceed against or exhaust any security that Secured Party may hold from any Primary Obligor or its successors or assigns or (iii) pursue

any other remedy within the power of Secured Party, prior to seeking payment from Debtor or Debtor's Collateral.

10.3 **Foreclosure of Collateral.** Secured Party may, at its election, foreclose on any security held by Secured Party by one or more sales, whether or not every aspect of any sale is commercially reasonable, or exercise any other right or remedy Secured Party may have against any Primary Obligor, or any security, without affecting or impairing in any way the liability of Debtor or Debtor's Collateral under this Agreement, except to the extent that the Indebtedness has been paid.

10.4 **Subrogation.** Until all Indebtedness is paid in full, even though that Indebtedness is in excess of Debtor's liability under this Agreement, Debtor shall have no right of subrogation, shall waive any right to enforce any remedy that Secured Party now has or may later have against any Primary Obligor, and shall waive any benefit of, or any right to participate in, any security now or later held by such Primary Obligor. Debtor waives all presentments, demands for performance, notices of protest, notices of dishonor, notices of acceptances of this Agreement, and notices of the existence, creation, or incurring of new or additional Indebtedness.

10.5 **Change of Obligations.** Debtor authorizes Secured Party (whether or not after revocation or termination of this Agreement) without notice or demand and without affecting or impairing his, her or its liability, from time to time to (i) renew, compromise, extend, accelerate, or otherwise change the time for performance of, or otherwise change the terms of the Indebtedness including increasing or decreasing the rate of interest; (ii) take and hold security for the performance of this Indebtedness, and exchange, enforce, waive, and release any security; (iii) apply security and direct the order or manner of sale of security as Secured Party in its discretion may determine; and (iv) release or substitute the Debtor or any Primary Obligor.

10.6 **Election of Remedies.** Debtor waives all rights and defenses arising out of an election of remedies by Secured Party, even though that election of remedies, such as nonjudicial foreclosure with respect to security for any part of the Indebtedness, has destroyed Debtor's rights of subrogation and reimbursement against the Primary Obligor.

11. **Financing Statement:**

11.1 **Filing Financing Statement and Other Documents by Secured Party.** The undersigned, both personally and on behalf of Debtor if it is a business entity, hereby authorizes Secured Party, any of Secured Party's assignees, and any of their authorized agents or employees, to act as special agent or attorney-in-fact for the undersigned and Debtor, if it is a business entity, and each of them, to execute and sign on behalf of the Debtor such financing statements, amendments, fixture filings or other documents as Secured Party or its assignees, agents, or employees deems necessary or appropriate under the Uniform Commercial Code (or similar law).

11.2 **No Authority to File Termination Statement.** Secured Party does not authorize Debtor to file a termination statement with respect to this Agreement or the Collateral except as specifically authorized by section 9-509(d)(2) of the Uniform Commercial Code.

12. **Additional Provisions:**

12.1 **Costs and Expenses.** Debtor shall be liable to, and shall promptly reimburse Secured Party for, all costs and expenses, including attorneys' fees and costs, incurred by Secured Party in enforcement of this Agreement, in the realization, enforcement, and exercise of Secured Party's rights, powers and remedies hereunder, and in the collection of any part of the Indebtedness.

12.2 **Survival of Representations and Warranties.** Debtor's representations and warranties made in this Agreement will survive its execution, delivery, and termination.

12.3 **Entire Agreement.** This Agreement is the entire agreement, and supersedes any prior agreement or understandings between Secured Party and Debtor relating to the Debtor's grant and assignment to Secured Party of a security interest in the Collateral.

12.4 **Amendment.** This Agreement may be modified or amended only by a written instrument executed by all of the parties hereto.

12.5 **Construction.** In construing this Agreement, no consideration shall be given to the fact or presumption that any party had a greater or lesser hand in drafting it.

12.6 **Notices.** All notices related to this Agreement must be in writing and delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender reliable evidence of delivery or attempted delivery. Either party may change its address for purposes of this paragraph by giving the other party written notice of the new address in the manner set forth above.

12.7 **Time.** Time is of the essence for each and every obligation under this Agreement.

12.8 **Waiver of Statute of Limitations.** The pleading of the statute of limitations as a defense to the obligations evidenced by this Agreement is waived to the fullest extent possible by law.

12.9 **Waiver of Presentment, Notice of Dishonor, and Protest.** Debtor hereby waives any right (i) to require Secured Party to make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest, or notice of dishonor hereunder, (ii) to direct the application of payments or security for any Indebtedness of Debtor, or indebtedness of customers of Debtor, or (iii) to require proceedings against others or to require exhaustion of security.

12.10 **Governing Law.** Except as provided in sections 9-301, 9-302, 9-303 or 9-304 of the Uniform Commercial Code, this Agreement shall be governed by and construed in accordance with the laws of the state of _____.

12.11 **References to Uniform Commercial Code.** References in this Agreement to the Uniform Commercial Code shall refer to the Uniform Commercial Code as enacted in the state specified in Paragraph 12.10, as such law exists on the date of this Agreement, or, to the extent subsequent amendments to the Uniform Commercial Code provide greater rights to Secured Party, then to the Uniform Commercial Code as amended.

12.12 **Successors and Assigns.** This Agreement shall inure to the benefit of Secured Party and Secured Party's successors and assigns. Debtor shall not assign any of Debtor's rights, duties or obligations hereunder.

12.13 **Further Assurances.** From and after the date of this Agreement, Secured Party and Debtor shall do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to carry out the purposes of this Agreement in accordance with its terms.

12.14 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

12.15 **Severability.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

DEBTOR:

_____, Individually

SECURED PARTY:

SERVICE EXPERTS HEATING & AIR
CONDITIONING LLC

By: _____

Exhibit D Promissory Note and Guaranty for Financing of Initial Franchise Fee

PROMISSORY NOTE

\$ _____

____, 2025

FOR VALUE RECEIVED, _____ (the "Maker"), a resident of _____, promises to pay to the order of Service Experts Franchising LLC (the "Lender"), a Delaware limited liability company, the principal sum of _____ Dollars (\$ _____), with interest as provided below.

This Note is made pursuant to that certain Franchise Agreement dated as of _____, 2025 (the "Franchise Agreement") between the Maker and the Lender. This Note evidences indebtedness of the Maker to the Lender for a portion of the initial franchise fee required by the Franchise Agreement.

1. Interest. Interest on the outstanding principal balance of this Note will accrue beginning on _____ at a rate of _____ percent (____%) per annum. Interest shall be calculated on the basis of a year of 365 days. However, notwithstanding any other provision hereof, Lender does not intend to charge and Maker will not be required to pay any interest or other fees or charges in excess of the maximum permitted by applicable law; any payments in excess of the maximum will be refunded to Maker or credited to reduce principal hereunder.

2. Payment. Maker shall pay the principal sum of this Note and interest due thereon to Lender in [() equal monthly installments of _____ Dollars (\$ _____)] due on the [first] day of each calendar month, with the final payment of all unpaid principal and accrued interest due on _____. The maximum number of monthly payments under this Note shall be _____ payments. The attached amortization schedule reflects the payment schedule and is incorporated into this Note.

Unless otherwise designated in writing by Lender, all payments to Lender shall be made by electronic funds transfer to an account designated by Lender. Maker shall be responsible for all costs and expenses incurred by Maker and Lender in connection with the electronic funds transfer. All payments received will first be applied to any interest then due, and any balance thereafter remaining to reduction of principal.

This Note may be prepaid at the option of Maker, in whole or in part, without penalty.

3. Payment Default. As used herein, "Payment Default" means a failure by Maker to make any payment due hereunder which continues uncured for fifteen (15) days after the Maker receives written notice of default. In the event of a Payment Default: (a) Lender may declare all amounts then remaining unpaid on this Note to be immediately due and payable; and (b) Maker agrees to pay all of Lender's reasonable costs and expenses of collection incurred as a result of the Payment Default, including, without limitation, reasonable attorneys' fees, court costs and disbursements. No waiver by Lender of any Payment Default shall operate as a waiver of any other default or of any Payment Default on a future occasion.

4. Cross-Default and Acceleration. A Payment Default under this Note or a default under the Security Agreement shall also constitute a default by Maker under the Franchise Agreement. Lender may declare all amounts then remaining unpaid on this Note to be immediately due and payable in the event of: (a) the termination of the Franchise Agreement for any reason; or (b) a transfer of substantially all of the assets of the Franchised Business or of any direct or indirect

equity ownership interest in Franchisee that would result in a change of control of Franchisee or the Franchised Business.

5. Waiver of Presentment. The Maker hereby waives presentment, demand, protest and all other notices.

6. Costs of Collection. The Maker shall pay all costs, fees and expenses (including court costs and reasonable attorneys' fees) incurred by Lender in collecting or attempting to collect any amount that becomes due under this Note or in seeking legal advice with respect to such collection or a default hereunder.

7. Representation and Warranty. Maker represents and warrants that the indebtedness evidenced by this Note was made and transacted solely for the purpose of carrying on or acquiring a business or commercial investment.

8. No Oral Modification. This Note may not be changed orally, but only by an instrument in writing signed by Lender and Maker.

9. Governing Law. This Note is governed by and will be construed and enforced in accordance with the law of the State of Texas.

MAKER:

_____, Individually

Attest:

GUARANTY OF PROMISSORY NOTE

As an inducement to Service Experts Franchising LLC ("**Holder**") to provide financing for the initial franchise fee due under a Service Experts Franchise Agreement dated _____ (the "**Franchise Agreement**") with _____ ("**Maker**"), the undersigned individuals (collectively, the "**Guarantors**"), jointly and severally, personally and unconditionally: (i) guarantee to Holder and its successors and assigns that all of Maker's obligations under the Promissory Note dated _____ in the original principal amount of \$_____ (the "**Note**") will be punctually paid and performed; and (ii) agree to be personally liable for Maker's default under the Note.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by Holder of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he or she may have to require that an action be brought against Maker or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Maker arising as a result of the execution of and performance under this Guarantee by any Guarantor; **(f)** any law or statute which requires that Holder make demand upon, assert claims against or collect from Maker or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Maker or any others prior to making any demand upon, collecting from or taking any action against Guarantors with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which he or she may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each Guarantor consents and agrees that: **(i)** his or her direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he or she shall render any payment or performance required under the Note upon demand if Maker fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by Holder of any remedies against Maker or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Note, any extension of time, credit or other indulgence which Holder may from time to time grant to Maker or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Note and for so long thereafter as there are monies or obligations owing from Maker to Holder under the Note; and **(v)** monies received from any source by Holder for application toward payment of the obligations under the Note and under this Guarantee may be applied in any manner or order deemed appropriate by Holder.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the appointment of a guardian for, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of Guarantors shall be due immediately and payable without notice.

All notices, requests and approvals under this Guarantee shall be in writing and shall be deemed to have been properly given if and when personally delivered, or five (5) days after being sent by certified or registered mail, postage prepaid, return receipt requested, or thirty-six (36) hours after being sent by Federal Express or other overnight courier service providing delivery confirmation, to the addresses of the Guarantors set forth under their respective signatures.

If Holder uses legal counsel (including in-house counsel employed by Holder or its affiliates) in connection with any failure by Guarantors to comply with this Guarantee, Guarantors shall reimburse Holder for the reasonable costs and expenses incurred by Holder.

This Note is governed by and will be construed and enforced in accordance with the law of the State of Texas.

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

Address for Notices:

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

Address for Notices:

Exhibit E**List of Administrators**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK New York State Dep’t of Law Investor Protection Bureau 28 Liberty St., 21 st Floor New York, NY 10005 (212) 416-8222
HAWAII Commissioner of Securities Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 203 Honolulu, HI 96813 / (808) 586-2722	NORTH DAKOTA North Dakota Securities Dep’t State Capitol – Dep’t 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465	RHODE ISLAND Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	SOUTH DAKOTA Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051
MICHIGAN Florida Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	WASHINGTON Dep’t of Financial Institutions Securities Div. – 3rd Floor P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
MINNESOTA Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

Exhibit F**Agents for Service of Process**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK Secretary of State One Commerce Plaza 99 Washington Av., 6 th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 203 Honolulu, HI 96813 / (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	RHODE ISLAND Director of Dep’t of Business Regulation Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	SOUTH DAKOTA Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main St., 1 st Floor Richmond, VA 23219 (804) 371-9733
MICHIGAN Florida Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	WASHINGTON Director of Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

Exhibit G**Franchisees and Former Franchisees**

Franchisees as of our fiscal year ended Dec. 31, 2024:

None

Franchisees who left the system during fiscal year ended Dec. 31, 2024:

None

Exhibit H**Company-Owned Centers**

Company Owned Centers as of December 31, 2024:

Name	Address	City	State	Zip Code
Freedom	2881 Shannon Oxmoor Road	Birmingham	AL	35211
Norrell	5529 Eastcliff Industrial Loop	Irondale	AL	35210
Climate Control	7291 Cottage Hill Road	Mobile	AL	36695
Dukes of Air	6938 E Parkway Norte	Mesa	AZ	85212
Sure Temp	7931 East Pecos Road, Suite 145,	Mesa	AZ	85212
Hays	24825 N 16th Ave. #115,	Phoenix	AZ	85085
Moon Valley	2239 East Rose Garden Loop	Phoenix	AZ	85024
Canyon State	11560 N Dysart Rd, Suite 116	Surprise	AZ	85379
Orangutan	2922 S. Roosevelt Street	Tempe	AZ	85282
Freschi	2440 Sprig Court	Concord	CA	94520
East Bay	4935 Southfront Road, Suite A	Livermore	CA	94551
RB Travis Plumbing	4935 Southfront Road, Suite A	Livermore	CA	94551
Denver	9050 Marshall Court	Westminster	CO	80031
Midway	4677 118th Avenue N	Clearwater	FL	33762
Southwest Florida	12871 Metro Parkway	Ft. Myers	FL	33966
Air Engineers	8475 Western Way, Suite 100	Jacksonville	FL	32256
Central Florida	3143 Skyway Circle	Melbourne	FL	32934
South Florida	1523 NW 89th Court	Miami	FL	33172
Ocala	2520 NW 6th St	Ocala	FL	34475
All American	356 Destination Daytona Lane	Ormond Beach	FL	32174
Xtra Mile	7830 Byron Drive, Unit 7	Riviera Beach	FL	33404
South Florida	1400 Northpoint Pkwy, Suite #20	West Palm Beach	FL	33407
Peachtree	2500 Meadowbrook Parkway, Suite F	Duluth	GA	30096
Peachtree	1000 Cobb International Blvd., Suite F	Kennesaw	GA	30152
Peachtree	1286 Citizens Parkway Suite G	Morrow	GA	30260
Coastal	79 Columbia Drive, Suite 105	Pooler	GA	31322
TML	204 E 40th Street	Boise	ID	83714
Chief/Bauer	3611 N Staley Road, Suite G	Champaign	IL	61822
Golden Seal	1730 B Wallace Avenue	St. Charles	IL	60174
Comfort Masters	236 Egidi, Unit B	Wheeling	IL	60090
BW/Cook	1835 Leer Drive	Elkhart	IN	46514
Rolf Griffin	1702 Fairfield Avenue	Ft. Wayne	IN	46802
Broad Ripple	8227 Northwest Boulevard, Suite 300	Indianapolis	IN	46278
Becht/Givens	2999 Industrial Parkway	Jeffersonville	IN	47130
Neal Harris	9040 Cody Street	Overland Park	KS	66214

United	8951 West Highway 42	Goshen	KY	40026
Cropp Metcalfe - Beltsville	5301 Holland Drive	Beltsville	MD	20705
A-Plus	9201-9203 Hampton Overlook	Capitol Heights	MD	20743
ESA	9375 Gerwig Lane Unit J	Columbia	MD	21046
Wyant	1573 Tilco Dr Suite 6	Frederick	MD	21704
Parker Pearce	7901 Beechcraft Avenue, Suite C	Gaithersburg	MD	20879
Arundel	707 Nursery Road	Linthicum Heights	MD	21090
Olympic Aire	4384 Hackett Place	White Plains	MD	20695
Pine State	3 Eisenhower Drive	Westbrook	ME	4092
Comfortech	108 Business Park Drive, Suite A	Ridgeland	MS	39157
Raleigh	2815 South Wilmington Street	Raleigh	NC	27603
McElroy	807 Claude Road	Grand Island	NE	68803
Strogen's	30 Centre Road, Suite 4	Somersworth	NH	3878
Fras	178-C, Route 206	Hillsborough	NJ	8844
Atmostemp	215 B Old Egg Harbor Road	West Berlin	NJ	8091
Sunbeam	6020 N. Bailey Avenue, Suite 5	Amherst	NY	14226
Falso	6019 Corporate Drive	E. Syracuse	NY	13057
Roland J. Down	11B Solar Drive	Halfmoon	NY	12065
Flanders	219 West Montauk Highway	Hampton Bays	NY	11946
Matz-Rightway	104-110 Kroemer Ave Bldg #2	Riverhead	NY	11901
Taylor	1775 Buffalo Rd	Rochester	NY	14624
Stan Gelber	1079 Front St	Uniondale	NY	11553
Stevenson-Dayton	799 Space Drive	Beavercreek	OH	45434
Stevenson-Columbus	4247 Diplomacy Drive	Columbus	OH	43228
Geisel	633 Broad Street	Elyria	OH	44035
Knochelmann	11935 Tramway Drive, Suite C	Sharonville	OH	45241
Gordon's	12354 S Sunnyslane Road	Oklahoma City	OK	73160
Jack Nelson	1115 N. 105th East Place	Tulsa	OK	74116
Mark Allen	4905 Library Road	Bethel Park	PA	15102
Motta	614 PA-288	Ellwood City	PA	16117
Stallion	1641 Delmar Drive	Folcroft	PA	19032
McLoughlin	8649 West Chester Pike	Upper Darby	PA	19082
Wesley Wood	319A Westtown Road	West Chester	PA	19382
Epperson	1306 Fording Island Road, Suite 106	Bluffton	SC	29910
Pardee	1952 Belgrade Avenue	Charleston	SC	29407
Midland	714 S. Lake Drive, Suite 100	Lexington	SC	29072
Peitz	1225 E. Sioux Avenue	Pierre	SD	57501
R&M	627 American Glass Way, Suite AB	Knoxville	TN	37932

Memphis	6949 Appling Farms Pkwy, Suite 108	Memphis	TN	38133
Donelson	2930 Sidco Drive	Nashville	TN	37204
Strand	5811 Techni Center Drive	Austin	TX	78721
Ft. Worth	2725 Basswood Blvd, Suite 241	Fort Worth	TX	76131
Ft. Worth	2725 Basswood Blvd, Suite 241	Ft. Worth	TX	76131
Crawford	1405 Avenue T	Grand Prairie	TX	75050
Church	10633 W. Little York Road, Suite 200	Houston	TX	77041
Dallas	640 International Pkwy, Suite 200	Richardson	TX	75081
Aramendia	17327 Green Mountain Road	San Antonio	TX	78247
Barlow	2869 Commerce Way, Suite 1	Ogden	UT	84401
Provo	1185 S 1680 W	Orem	UT	84058
Cropp Metcalfe - Fairfax	8421 Hilltop Rd.	Fairfax	VA	22031
Eveready	8033 Kimway Drive, Suite B	Henrico	VA	23228
Roanoke	1250 Intervale Drive	Salem	VA	24153
Cropp Metcalfe - Warrenton	6649 Garland Drive #2	Warrenton	VA	20187
Teays Valley	3744 Teays Valley Road	Hurricane	WV	25526

Service Experts Franchising, LLC

Audited Financial Statements as at December 31, 2024 and for the period
ended December 31, 2024 and Report of Independent Auditors
(Amounts expressed in USD)

Report of Independent Auditors

To Those Charged with Governance of
Service Experts Franchising, LLC

Opinion

We have audited the financial statements of Service Experts Franchising, LLC (the Company), which comprise the statement of financial position as of December 31, 2024, and the consolidated statements of net loss and other comprehensive loss, changes in stockholder's equity and cash flows for the period then ended and the related notes (collectively referred to as "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, and the results of its operations and its cash flows for the period then ended in accordance with IFRS Accounting Standards promulgated by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards promulgated by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst & Young LLP

February 11, 2025

Service Experts Franchising, LLC

Statement of Net Loss and other Comprehensive Loss

(In thousands of USD \$)			
For the period ended December 31,		Note	2024
Expenses			
Selling, general and administrative	4	\$	32
Total expenses		\$	32
Net loss and other comprehensive loss for the period		\$	(32)

Service Experts Franchising, LLC

Statement of Financial Position

(in thousands of USD)			
As at December 31	Note		2024
Assets			
Current assets			
Cash		\$	250
Total assets		\$	250
Liabilities and shareholder's equity			
Current liabilities			
Accruals and other payables		\$	32
Total liabilities		\$	32
Shareholder's equity			
Share capital	3	\$	250
Retained deficit			(32)
Total shareholder's equity		\$	218
Total liabilities and shareholder's equity		\$	250

The accompanying notes are an integral part of these financial statements

Service Experts Franchising, LLC

Statement of Changes in Stockholder's Equity

(In thousands of USD \$)		
For the period ended December 31,	Note	2024
Share capital		
	3	
Balance - beginning of period		\$ -
Capital contribution		250
Share capital - end of period		250
Retained deficit		
Balance - beginning of period		\$ -
Net loss for the period		(32)
Retained deficit - end of period		(32)
Shareholder's equity - end of period		\$ 218

Service Experts Franchising, LLC

Statement of Cash Flows

(In thousands of USD \$)		
For the period ended December 31,	Note	2024
Operating activities		
Net loss and other comprehensive loss for the period		\$ (32)
Items not affecting cash:		
Net change in non-cash working capital		32
Cash provided by operating activities		-
Financing activities		
Capital contribution from shareholder	3	250
Cash provided by financing activities		\$ 250
Increase in cash		\$ 250
Cash - beginning of period		-
Cash - end of period		\$ 250

Service Experts Franchising, LLC

Notes to the Financial Statements

1. NATURE OF BUSINESS

Service Experts Franchising, LLC (the “Company” or “SE Franchising”) is a franchisor dedicated to providing replacement and repairs of heating, ventilation, and air conditioning services (HVAC) and water heaters (WH) products to residential and light commercial customers through its network of franchisees. The Company's franchisees are expected to operate under the “Service Expert HVAC and Air Conditioning” brand. The Company expects to operate to generate revenue through a royalty-based system, earning a percentage of franchisees' gross revenue.

The Company was incorporated on October 25, 2024, pursuant to the laws of the State of Delaware. SE Franchising is headquartered in United States of America (“USA”) with operations located in the USA. The Company expects to fully commence operations in 2025. The Company is headquartered at 3400 N Central Expy, Richardson, TX 75080.

The immediate parent Company is SE HoldCo LLC which is the sole member of the Company. The ultimate parent of the Company is Brookfield Corporation. The immediate company is based and incorporated in the USA and the ultimate parent company is based and incorporated in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and first-time adoption of IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements include a statement of financial position as of the end of the reporting period, and a single consolidated statement of net loss, statement of stockholder's equity, and statement of cash flows.

For the period ended December 31, 2024, the Company has followed IFRS for internal reporting purposes. These financial statements are the first set of statements published since incorporation and, thus, no reconciliations are required.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in United States dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand (\$000s), except when otherwise indicated.

The financial statements of the Company for the period ended December 31, 2024 were authorized by management for issue on February 11, 2025.

Cash

Cash includes cash on hand and deposits held with banks.

Income Taxes

The Company is a disregarded entity for federal and applicable state income tax purposes. As a result, the entity's income, deductions, and tax attributes are reported on the income tax return of Bolt Acquireco Inc, and the company itself is not subject to federal or income taxes.

Service Experts Franchising, LLC

Notes to the Financial Statements

3. SHARE CAPITAL AND RESERVES

For the period ended December 31,	2024	
Shares issued and outstanding	Shares ⁽ⁱ⁾	Dollars
Opening balance	-	\$ -
Capital contribution	1	250
Ending balance	1	\$ 250

⁽ⁱ⁾ Amounts in \$000s except for number of shares

SE Holdco LLC is the sole member of SE Franchising, and the owner of all the voting rights. SE Holdco LLC is the sole direct beneficiary of liquidation benefit or dividend payments.

4. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2024
Professional fees	\$ 30
Selling, office and other	2
Total for the period ended	\$ 32

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the fiscal period ended December 31, 2024. The Company has not yet assessed the impact of these new or amended accounting standards and interpretations.

IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is yet to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Service Experts Franchising, LLC

Notes to the Financial Statements

6. SUBSEQUENT EVENTS

There were no events subsequent to the date of the financial statements that require disclosure or adjustments.

Unaudited Financial Statements

THE FOLLOWING FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.



**Service Experts Franchising, LLC
Unaudited Financial Statements
for the period ended May 31, 2025**

Service Experts Franchising, LLC
Statement of Comprehensive Loss
Unaudited

(In thousands of USD \$)		
For the period ended May 31,		2025
Expenses		
Selling, general and administrative	\$	350
Total expenses	\$	350
Comprehensive loss for the period	\$	(350)

Service Experts Franchising, LLC
Statement of Financial Position
Unaudited

(in thousands of USD)

As at

May 31, 2025

December 31, 2024

Assets

Current assets

Cash

\$ 250

\$ 250

Total assets

\$ 250

\$ 250

Liabilities and shareholder's equity

Current liabilities

Accruals and other payables

\$ 382

\$ 32

Total liabilities

\$ 382

\$ 32

Shareholder's equity

Share capital

\$ 250

\$ 250

Retained deficit

(382)

(32)

Total shareholder's equity

\$ (132)

\$ 218

Total liabilities and shareholder's equity

\$ 250

\$ 250

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**INFORMATION REQUIRED BY
BY THE STATE OF CALIFORNIA**

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.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR WEBSITE ADDRESS. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

Item 3, Additional Disclosure.

Neither we nor any person listed in Item 2 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 parties from membership in such association or exchange.

Item 10, Additional Disclosures.

Franchisor, its subsidiaries, affiliates, and parent will comply with all applicable laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

Item 17, Additional Disclosures.

California Business and Professions Code Sections 20000 through 20043 provide rights to California franchisees concerning termination, transfer or non-renewal of the franchise agreement. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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 provides for the application of the laws of the State of Texas. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release if you renew or transfer the franchise or if you exercise the right to terminate the Franchise Agreement without cause. This provision may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Professional Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

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

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in a community property state such as California.

Item 22, Additional Disclosure.

No statement, questionnaire or acknowledgement 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 state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

CALIFORNIA ADDENDUM TO THE
FRANCHISE AGREEMENT

This Addendum relates to franchises sold in California and is intended to comply with California statutes and regulations. In consideration of the execution of the Franchise Agreement, Service Experts Franchising LLC and Franchisee agree to amend the Franchise Agreement as follows:

1. Entire Agreement. Section 21.10 is amended to add the following:

No statement, questionnaire or acknowledgement 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 state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy the jurisdictional requirements of the California Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

INFORMATION REQUIRED
BY THE STATE OF HAWAII

THE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THE STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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 STATE 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.

The name and address of Service Experts' agent in this state authorized to receive service of process is Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

**INFORMATION REQUIRED
BY THE STATE OF ILLINOIS**

Cover Page, Additional Disclosures.

THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND IN THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

Item 17, Additional Disclosures.

The conditions under which the Franchise Agreement can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Pursuant to Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void.

The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern Franchise Agreements entered into in Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Item 22, Additional Disclosure.

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 state 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.

ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Illinois Franchise Disclosure Act of 1987 (the "Act"), Illinois Compiled Statutes, Chapter 815, Sections 705/1 to 705/44, the parties agree to modify the Franchise Agreement as follows:

1. Termination. Section 14 is amended to add the following:

 If anything in this Section concerning termination is inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.
2. Renewal. Section 18 is amended to add the following:

 If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.
3. Governing Law. Section 22.1 of the Franchise Agreement is deleted. The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.
4. Venue for Litigation. Section 22.5 is amended to add the following:

 Section 4 of the Act states that any provision in a franchise agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.
5. Time Limit on Filing. Section 22.4 is amended to add the following:

 Notwithstanding the foregoing, any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.
6. Section 41 of the Act states that any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Section 41 will control over any inconsistent provisions in the Franchise Agreement.
7. 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 state 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.
8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Service Experts and you satisfy all of the jurisdictional requirements of the Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

By: _____

Printed Name: _____

Title: _____

_____,
Franchisee

By: _____

Printed Name: _____

Title: _____

INDIANA ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT

This Addendum relates to franchises sold in Indiana and is intended to comply with the Indiana statutes and regulations. The parties agree to supplement the FDD and Franchise Agreement as follows:

1. Pursuant to Section 23.2-2.7-1 of the Indiana Code, it is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation

of the United States dollar in the case of foreign-made goods, are not subject to this subdivision.

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subdivision includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any:

(A) advertising campaign or contest;

(B) promotional campaign;

(C) promotional materials; or

(D) display decorations or materials;

at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

2. If the Franchise Agreement contains a provision that is inconsistent with the Indiana Code, the provisions of the Indiana Code will supersede the Franchise Agreement.

3. 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 state 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.

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of the Indiana Code, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

By: _____

Printed Name: _____

Title: _____

_____,
Franchisee

By: _____

Printed Name: _____

Title: _____

INFORMATION REQUIRED
BY THE STATE OF MARYLAND

Item 17, Additional Disclosures.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

The Franchise Agreement requires the franchisee to sign a general release as a condition of renewal or transfer of the franchise. This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

A limitation on the period of time within which arbitration and/or litigation claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

Item 22, Additional Disclosure.

No statement, questionnaire or acknowledgement 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 state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO THE
FRANCHISE AGREEMENT

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the Franchise Agreement as follows:

1. Releases. Sections 13.2.4 and 18.1.7 are each amended to add the following:

This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Entire Agreement. Section 21.10 is amended to add the following:

Notwithstanding anything to the contrary in this Agreement, You are not required to waive any of Your rights under the Maryland Franchise Registration and Disclosure Law with regard to Service Expert's prior representations.

3. Governing Law. Section 22.1 is amended to add the following:

Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

4. Time Limit on Filing. Section 22.4 is amended by adding the following:

The foregoing limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Venue. Section 22.5 is amended by adding the following:

Any choice of forum for litigation is subject to your right to bring an action under the Maryland Franchise Registration and Disclosure Law in Maryland.

6. 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 state 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 will have effect only if the Franchise Agreement and/or the relationship between Service Experts and You satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

By: _____

Printed Name: _____

Title: _____

_____,
Franchisee

By: _____

Printed Name: _____

Title: _____

**INFORMATION REQUIRED
BY THE STATE OF MICHIGAN**

Cover Page, Additional Disclosures.

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.
- (e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. **[Note: Franchisor reserves the right to challenge the restriction on the location of arbitration under the Federal Arbitration Act.]**
- (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 the manner provided in subdivision (c).

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

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

**INFORMATION REQUIRED
BY THE STATE OF MINNESOTA**

Item 6, Additional Disclosure.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosure.

Service Experts will indemnify you against liability to a third party resulting from claims that your use of the Marks infringes trademark rights of the third party, provided that your use of the Marks is in accordance with the requirements of the Franchise Agreement and the System.

Item 17, Additional Disclosures.

Service Experts will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring you to waive your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. This rule does not bar a voluntary arbitration of any matter.

Item 22, Additional Disclosure.

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 state 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.

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Franchise Agreement as follows:

1. Trademarks. Section 11 is amended by adding the following as Section 11.8:

Service Experts will indemnify you against liability to a third party resulting from claims that your use of the Proprietary Marks infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Franchise Agreement and the System.

2. Releases. The following sentence is added to Sections 13.2.4 and 18.1.7:

Notwithstanding the foregoing, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

3. Renewal and Termination. Section 14 and Section 18 are amended by adding the following:

Notwithstanding anything to the contrary in Sections 3, 21.1, 21.2, or 21.3, Service Experts will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

4. Entire Agreement. Section 21.10 is amended to add the following:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

5. Limitation of Claims. Section 22.4 is amended to add the following:

Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

6. Venue. Section 22.5 is amended to add the following:

Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit Service Experts from requiring litigation to be conducted outside Minnesota.

7. 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 state 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.

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Service Experts and You satisfy all of the jurisdictional requirements of Minnesota Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

**INFORMATION REQUIRED
BY THE STATE OF NEW YORK**

Cover page, Additional Disclosures.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

SERVICE EXPERTS MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, SERVICE EXPERTS CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

SERVICE EXPERTS REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.

Item 3, Additional Disclosures.

Other than as disclosed in Item 3, neither Service Experts nor any person listed in Item 2:

1. Has any administrative, criminal or material civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of Service Experts franchises and the size, nature or financial condition of the System or its business operations.

2. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

3. Is subject to a currently effective injunctive or restrictive order or decree relating to the Service Experts franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective

injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure.

Except as described in this Item, neither Service Experts, its affiliates, its predecessors, officers, nor general partners, during the ten-year period immediately before the date of the disclosure document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws; or (c) was a principal officer of a company or general partner of a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws, or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws, during or within one year after the officer or general partner of Service Experts held this position in the company or partnership.

Item 17, Revised Disclosures.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

2. *The following is added to the end of the Summary section in Item 17(d):*

You may also terminate the Franchise Agreement on any grounds available by law.

3. *The following is added to the end of the Summary section in Item 17(j):*

However, no assignment will be made by PVS except to an assignee who, in PVS's good faith judgment, is willing and able to assume PVS's obligations under the Franchise Agreement.

4. *The following is added to the end of the Summary section in Item 17(w):*

The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.

Item 17, Additional Disclosures.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law.

You must sign a general release if you renew or transfer the franchise or if you exercise the right to terminate without cause. This provision may not be enforceable under New York law.

Item 22. Additional Disclosure.

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 state 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.

Receipts, Additional Disclosure.

Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**NEW YORK ADDENDUM TO THE
FRANCHISE AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Franchise Agreement as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.
2. Releases. The following sentence is added to Section 13.2.4 and Section 18.1.7:

The foregoing release of claims against Service Experts does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
3. Assignment by Service Experts. Section 13.7 is amended to add the following:

Service Experts will not assign its rights under the Franchise Agreement except to an assignee who in Service Experts' good faith judgment is willing and able to assume Service Experts' obligations under the Franchise Agreement.
4. Termination by Franchisee. Section 14.1 is amended by adding the following:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.
5. Governing Law. Section 22.1 is amended by adding the following:

Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.
6. 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 state 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 will have effect only if the Franchise Agreement and/or the relationship between Service Experts and You satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

**NORTH DAKOTA ADDENDUM TO FDD
AND FRANCHISE AGREEMENT**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Agreement is amended as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. No statement, questionnaire or acknowledgement 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 state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. This Addendum will have effect only if the Agreement and/or the relationship between Service Experts and FRANCHISEE satisfy all of the jurisdictional requirements of the North Dakota Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Addendum, the Agreement remain unmodified and in full force and effect.

Service Experts Franchising LLC

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

RHODE ISLAND ADDENDUM TO THE
FRANCHISE AGREEMENT

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the Franchise Agreement as follows:

1. Governing Law. Section 22.1 is amended by adding the following:

Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Venue. Section 22.5 is amended by adding the following:

Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. 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 state 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.

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Service Experts and you satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Service Experts Franchising LLC
Franchisor

By: _____

Printed Name: _____

Title: _____

_____,
Franchisee

By: _____

Printed Name: _____

Title: _____

INFORMATION REQUIRED
BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended to add the following:

According 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 do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

According 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 him 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 him under the franchise, that provision may not be enforceable.

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 state 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.

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

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 in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The franchisee may terminate the franchise agreement under any grounds permitted under state law.

Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise

agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is 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.

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 state 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.

Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Service Experts Franchising LLC
Franchisor

By: _____

Printed Name: _____

Title: _____

_____,
Franchisee

By: _____

Printed Name: _____

Title: _____

State Effective Dates

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

STATE	EFFECTIVE DATE
California	<i>PENDING</i>
Hawaii	<i>PENDING</i>
Illinois	<i>PENDING</i>
Indiana	May 1, 2025, as amended on July 10, 2025
Maryland	<i>PENDING</i>
Michigan	May 2, 2025, as amended on July 10, 2025
Minnesota	<i>PENDING</i>
New York	<i>PENDING</i>
North Dakota	<i>PENDING</i>
Rhode Island	<i>PENDING</i>
South Dakota	May 30, 2025, as amended on July 10, 2025
Virginia	<i>PENDING</i>
Washington	<i>PENDING</i>
Wisconsin	<i>PENDING</i>

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.

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 Service Experts Franchising LLC ("Service Experts") offers you a franchise, then Service Experts must provide this disclosure document to you at least 14 calendar days (but in Michigan and Rhode Island 10 business days; and in New York, 10 business days or at the first personal meeting if earlier) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed development agreement or franchise agreement.

If Service Experts does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed in Exhibit C. Service Experts authorizes the agents listed in Exhibit F to receive service of process.

The franchisor is Service Experts Franchising LLC, 3400 N. Central Expressway, Suite 410, Richardson, Texas 75080, tel. (972) 535-3800 (ext. 2).

Issuance Date: April 7, 2025, as amended July 10, 2025

The franchise sellers for this offering are FranDevCo, 19460 Old Jetton Rd., Suite 204, Cornelius, NC 28031 (tel. 704-209-4310), and Matthew Lefler at the franchisor address and telephone number. If you have dealt with other individuals on the staff of the franchisor, please write in their names below:

□ _____ □ _____ □ _____

Service Experts authorizes the state agencies in Exhibit E to receive service of process for Service Experts in the particular state.

I received a Franchise Disclosure Document dated April 7, 2025, as amended July 10, 2025, that included the following Exhibits:

- | | | | |
|---|---|---|---------------------------------------|
| A | Franchise Agreement and Conversion Addendum | F | Agents for Service of Process |
| B | Letter of Intent, Asset Purchase Agreement, Refranchise Addendum, and Transition Services Agreement | G | Current and Former Franchisees |
| C | Promissory Note and Security Agreement | H | Company-Owned Centers |
| D | Promissory Note and Guaranty | I | Financial Statements |
| E | List of Administrators | J | Table of Contents - Operations Manual |
| | | K | State-specific Disclosures |
| | | L | Sample General Release |

Date Received

Prospective Franchisee

Home Address

Please keep this copy of the receipt for your records.

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 Service Experts Franchising LLC ("Service Experts") offers you a franchise, then Service Experts must provide this disclosure document to you at least 14 calendar days (but in Michigan and Rhode Island 10 business days; and in New York, 10 business days or at the earlier of the first personal meeting if earlier) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed development agreement or franchise agreement.

If Service Experts does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed in Exhibit E. Service Experts authorizes the agents listed in Exhibit F to receive service of process.

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□ _____ □ _____ □ _____

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| | | L | Sample General Release |

Date Received

Prospective Franchisee

Home Address

*Please sign and date this copy of the receipt and return it to us by mail or to
franchise@serviceexperts.com.*