

STATE SPECIFIC DISCLOSURES

The following are additional disclosures for the Franchise Disclosure Document of Ace Hardware Corporation required by various states. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

CALIFORNIA

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 Ace Hardware Corporation, any franchise seller, or any other person acting on behalf of Ace Hardware Corporation. This provision supersedes any other term of any document executed in connection with the franchise.

HAWAII

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 Ace Hardware Corporation, any franchise seller, or any other person acting on behalf of Ace Hardware Corporation. This provision supersedes any other term of any document executed in connection with the franchise.

The following language is added to the cover page

THESE 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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST 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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR 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.

MARYLAND

1. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 Ace Hardware Corporation, any franchise seller, or any other person acting on behalf of Ace Hardware Corporation. This provision supersedes any other term of any document executed in connection with the franchise.

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

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

Termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

4. The following language is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**:

; however, to the extent required by the Maryland Franchise Registration and Disclosure Law, subject to any arbitration obligation, you may bring an action in Maryland.

5. The following language is added to the end of the “Summary” section of Item 17(w), entitled **Choice of law**:

Except for Federal Arbitration Act and other federal law, to the extent required by law, Maryland law applies.

6. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

1. The following language is added to the cover page

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

2. Item 13 of this disclosure document is amended to add the following additional information:

In the event of any challenge to your use of any of the marks that have been licensed to you under the Ace Brand Agreement, you should immediately notify us, and we will have the sole discretion to take such action as we deem appropriate. While we are not required by the Ace Brand Agreement to defend you against any infringement, unfair competition or other claim respecting your use of the licensed marks, we will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding arising out of your lawful use of these licensed marks in compliance with the Ace Brand Agreement and for all costs you reasonably incur in the defense of such claims, provided that you have notified us of the claim as described above, and we have been provided the opportunity to undertake the defense.

3. Liquidated Damages. The Ace Brand Agreement contains a liquidated damages clause for failure to remove certain Ace signage after the termination of membership. This provision does not apply to Minnesota members, and it has been deleted by a Rider to the Ace Brand Agreement in this state.

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

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you

to consent to liquidated damages, termination penalties or judgment notes. However, we and you will enforce those provisions to the extent the law allows. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. However, we and you will enforce these provisions in the agreements to the extent the law allows. Chapter 80C also provides that no condition, stipulation or provision in the agreement(s) will in any way abrogate or reduce any of franchisee's rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

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

5. In Item 19, the following sentence on page 68 of this document is deleted in its entirety:

While our field personnel may assist prospective members with their business plans, sales forecasts and/or proforma financial statements, the prospective member is responsible for the soundness of all assumptions contained in all such plans, forecasts and proformas.

and replaced with the following sentence:

While our field personnel may assist, you will work cooperatively with them to review and validate all assumptions underlying your business plans, sales forecasts and/or proforma financial statements.

6. This Addendum is effective only if the jurisdictional requirements of the Minnesota Franchise Law and its regulations are met independently, without reference to this Addendum.

NORTH DAKOTA

1. The Ace Brand Agreement contains a liquidated damages clause for failure to remove certain Ace signage after the termination of membership. This provision does not apply to North Dakota members, and it has been deleted by a Rider to the Ace Brand Agreement in this state.

2. In Item 17, the language in the Summary column of 17 u is amended by adding the following:

However, to the extent required by North Dakota law (unless preempted by the Federal Arbitration Act), we and you will arbitrate at a site within North Dakota to which we and you mutually agree.

3. This Addendum is effective only if the jurisdictional requirements of the North Dakota Franchise Investment Law and its regulations are met independently, without reference to this Addendum.

VIRGINIA

1. In Item 17, the language in the Summary column of 17 h is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. This Addendum is effective only if the jurisdictional requirements of the Virginia Retail Franchising Act and its regulations are met independently, without reference to this Addendum.

WASHINGTON

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 Ace Hardware Corporation, any franchise seller, or any other person acting on behalf of Ace Hardware Corporation. This provision supersedes any other term of any document executed in connection with the franchise.

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

If any of the provisions in this disclosure document or the Franchise Agreements are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), then (if the Act applies by its terms) the provisions of the Act will prevail over the inconsistent terms of the disclosure document and/or Franchise Agreements for any franchises sold in Washington. However, we and you agree to enforce the Franchise Agreements' provisions to the extent the law allows.

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 the franchise agreement in your relationship with Company, including the areas of termination and renewal of Member's franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except

when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

This Addendum is effective only if the jurisdictional requirements of the Washington Franchise Investment Protection Act and its regulations are met independently, without reference to this Addendum.