

FRANCHISE DISCLOSURE DOCUMENT



House of Speed Franchising, LLC
a Colorado limited liability company
301 Snow Street
Sugar Grove, Illinois 60554
1-877-827-7333
www.houseofspeed.com

House of Speed Franchising, LLC is offering franchises for the use of the trademark “HOUSE OF SPEED®” and related trademarks and service marks for the operation of a business offering speed and agility training for athletes ages eight and up with all skill levels, and the sale of products related to such training (“**Speed Training Business**”).

The total investment necessary to begin operation of a Speed Training Business franchise ranges from \$134,050 to \$306,500, including \$114,500 to \$177,000 that must be paid to us.

The disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 days before you sign a binding agreement or make any payment in connection with the franchise sale or grant. **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 Dan Beebe at 301 Snow Street, Sugar Grove, Illinois 60554, and 1-877-827-7333.

The terms of your contract will govern your franchise relationship. Do not 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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information.

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

The issuance date of this disclosure document is **March 26, 2009**.

STATE COVER PAGE

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

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

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

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

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

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

3. WE MAY TERMINATE THE FRANCHISE AGREEMENT IF YOU FAIL TO MAINTAIN MINIMUM SALES QUOTAS.

4. SPOUSE(S) OF FRANCHISE OWNERS MUST EXECUTE A PERSONAL GUARANTY MAKING SUCH SPOUSE(S) JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE WHETHER OR NOT SUCH SPOUSE(S) ARE INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AND SPOUSE(S) AT RISK.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES IN DESIGNATED STATES

The following states require that the Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, exempt from registration, or otherwise effective in the following states with franchise registration and disclosure (or business opportunity*) laws as of the dates listed:

California	Effective date:	March 27, 2009
Florida*	Effective date:	January 29, 2009
Hawaii	Effective date:	Not Registered
Illinois	Effective date:	June 12, 2009
Indiana	Effective date:	May 23, 2008
Kentucky*	Effective Date:	August 15, 2008
Maryland	Effective date:	September 16, 2008, as amended April 15, 2009
Michigan	Effective date:	March 30, 2009
Minnesota	Effective date:	April 1, 2009
Nebraska*	Effective date:	July 18, 2006
New York	Effective date:	May 19, 2008, as amended May 4, 2009
North Dakota	Effective date:	Not Registered
Rhode Island	Effective date:	Not Registered
South Dakota	Effective date:	Not Registered
Texas*	Effective date:	July 18, 2006
Utah	Effective date:	Not registered
Virginia	Effective date:	July 30, 2008, as amended April 29, 2009
Washington	Effective date:	July 15, 2008, as amended March 30, 2009
Wisconsin	Effective date:	June 17, 2008

In all other states, the effective date of this Franchise Disclosure Document is **March 26, 2009**.

* Denotes one time filing

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EXHIBITS:

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ITEM 1
THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document “**House of Speed**” or “**we**” means House of Speed Franchising, LLC, the “**Franchisor**.” “**You**” means the person, corporation, partnership or other business entity that buys the franchise, the “**Franchisee**.” “**Your Principals**” means your owners if you are a business entity.

Franchisor, Parent, Predecessor and Affiliates

House of Speed is a Colorado limited liability company formed on May 24, 2006. We do business under the name House of Speed and no other name. We have no predecessors. Our principal business address is 301 Snow Street, Sugar Grove, Illinois 60554, and our principal business phone number is 1-877-827-7333. We began offering franchises for Speed Training Businesses in May 2006. We do not operate any Speed Training Businesses.

We have three affiliates (“**Affiliates**”). House of Speed, Inc. (“**HOS**”) is an Illinois corporation formed on June 2, 1998. HOS operates a business similar to the Speed Training Business in Illinois. HOS does not engage in any other business and does not offer franchises in this, or any other business. House of Speed Holdings, LLC (“**HOSH**”) is a Colorado limited liability company formed on May 24, 2006, and is our parent company. House of Speed Brands, LLC (“**HOSB**”) is a Colorado limited liability company formed on May 24, 2006. Neither HOSH nor HOSB engage in this or any other business and do not sell franchises in this or any other business. We share a principal business address and phone number with HOSH, HOSB and HOS.

Except as set out on **Exhibit D**, our agent for service of process is Dan Beebe, 301 Snow Street, Sugar Grove, Illinois 60554.

The Business

We offer franchises for the use of our “**HOUSE OF SPEED®**” trademarks, trade names, service marks and logos (“**House of Speed Marks**” or “**Marks**”) for the operation of Speed Training Businesses. The franchise is operated under a business format per a unique system, including our valuable know-how, information, trade secrets, training methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of Speed Training Businesses (“**System**”). We reserve the right to change or otherwise modify the System at any time at our sole discretion. Each Speed Training Business offers speed and agility training for athletes of ages 8 and up with all skill levels, and the sale of products related to such training. The Speed Training Business is operated from a facility used for the operation of a Speed Training Business (“**Branded Facility**”). You may also operate your Speed Training Business from a shared location, such as a school gym, private gym or shared facility (“**Shared Facility**”).

You must operate your Speed Training Business per our standard business operating practices and sign our standard franchise agreement (“**Franchise Agreement**”). Your Speed Training Business must offer authorized services and products, specifically including speed and

agility training for athletes ages 8 and up with all skill levels, and the sale of products related to such training. We reserve the right to add, modify, or delete any services or products that you must offer or sell at your Speed Training Business at any time at our sole discretion. You must also obtain all necessary permits, licenses and approvals to operate your Speed Training Business.

We will offer Franchises in both metropolitan and less developed areas. Franchises are available to anyone who we deem qualified, at our sole discretion, to operate a Speed Training Business. You may operate 1 Speed Training Business for each Franchise Agreement you sign with us. (See ITEM 5). We also offer to select qualified persons the opportunity to acquire the right to develop Speed Training Businesses in multiple Territories.

We will use commercially reasonable efforts to grant no more than one license for a Speed Training Business to a franchisee for every 100,000 people (or an incremental portion thereof) residing in a designated geographical area (“**Population Limit**”). We will use the most recent population information available in the U.S. Census Data, or other population statistical sources of our choosing to determine populations. We reserve the right to change, modify, or delete the Population Limits at our sole discretion.

Prior to the time you sign your Franchise Agreement, you may request to increase the size of your Territory (“**Additional Territory**”), which we may approve or deny in our sole discretion. If we agree to grant you Additional Territory, we will do so in increments of 100,000 people, and you will be required to pay us an Additional Territory Fee based on the size of your Additional Territory. (See ITEM 5 and ITEM 12). the Maximum Additional Territory we will allow any franchisee to acquire is 400,000 people, with a total maximum Territory size of 500,000. Once you have signed your Franchise Agreement, you may only acquire Additional Territory by signing a new Franchise Agreement and paying the then current Initial Franchise Fee.

Regulations

Certain states and local jurisdictions may have enacted laws, rules, regulations, and ordinances that apply to the care and supervision of children and may require, in certain instances, that you obtain a day care or similar license. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Speed Training Business, and you should consider both their effect and the cost of compliance.

Additionally, if we permit you to sell nutritional supplements from your (See ITEM 8), Speed Training Business then you must familiarize yourself with the federal and state laws and regulations specific to the nutritional supplement industry. There may also be local and state agencies that regulate the nutritional supplement industry in your Territory. These agencies control products and materials that may be harmful to public health. Because of the significant risk of product liability lawsuits being commenced by customers who claim to be injured because they took nutritional supplements, it is extremely important that you comply with all

laws and regulations in this area and that you become educated regarding nutritional supplement safety.

It is your responsibility to comply with all Food and Drug Administration, federal, state and local regulations, employment laws, worker's compensation insurance requirements, corporate taxing and licensing laws, and any other laws that affect the operation of your Speed Training Business. You are also responsible for obtaining all required licenses and permits and ensuring that your employees and others providing products and services to customers on behalf of your Speed Training Business have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. We also require your compliance with all provisions of the USA Patriot Act and Executive Order 13224. (See **Exhibit I** for a summary of industry-specific laws which may impact the operation of your Speed Training Business and the sale of nutritional supplements, if approved by us.)

Market Competition

The System presently focuses on serving the athletic and recreational needs of children and adults in urban and suburban areas. You may have to compete with other businesses including franchised operations, national chains and independently owned companies that provide activities for children and adults, including indoor centers featuring gymnastic and exercise programs for children and adults, outdoor and indoor speed and agility training programs, and other business operations which service the recreational and athletic needs of child and adult athletes. The market for providing recreational and athletic training activities for children and adults is competitive.

You will also face normal business risks that could have an adverse affect on your Speed Training Business. These include industry developments, such as pricing policies of competitors, and supply and demand. Another risk factor is our dependence on key personnel, the loss of whom could have an adverse affect on us. Our ability to fulfill our obligations under our Franchise Agreement depends in part on our present and future financial condition. Litigation risks also exist, which may not be foreseeable.

ITEM 2 BUSINESS EXPERIENCE

Don Beebe, Chief Executive Officer

Mr. Beebe is House of Speed's CEO since its inception on May 24, 2006. Mr. Beebe is also the CEO of HOSH and HOSB since their inception and the owner and President of House of Speed, Inc. since its inception on June 2, 1998.

Dan Beebe, President

Mr. Beebe is House of Speed's President since its inception on May 24, 2006. Mr. Beebe was also the head men's basketball coach at Chadron State College located in Chadron, Nebraska from June 1997 through June 2006. In addition, Mr. Beebe is the President of HOSH and HOSB, and has served in that position since their inception.

David Beebe, Chief Operating Officer

Mr. Beebe is House of Speed's COO since its inception on May 24, 2006. Mr. Beebe is also the CEO of IntegriTech Consulting in North Aurora, Illinois since May 1998.

Jeff Schutt, Chief Training Officer

Mr. Schutt is House of Speed's Chief Training Officer since its inception on May 24, 2006. Mr. Schutt is also the Vice President of HOS since August 1998 and the President of Muscles in Motion located in Yorkville, Illinois, since September 1991.

Cory Savage, Vice President of Marketing, Public Relations and Business

Cory Savage serves as our Vice President of Marketing, Public Relations and Business, and has done so since May 2007. Mr. Savage is also the President and Chief Executive Officer of Savage Solutions, LLC, in Milwaukee, Wisconsin, a position he has held since February 2001. From November 2006 through June 2007, Cory served as the Vice President of Marketing and Public Relations for Community Health Systems in Chicago, Illinois. Prior to that time, he held the position of Director of Business Development at Wheaton Franciscan Healthcare in Milwaukee, Wisconsin, from May 2001 through November 2006.

Kristofer Nieb, Director of Development

Kristofer Nieb has served as the Director of Franchise Development since May 2007. Mr. Nieb has served as the Director of Franchise Development for BSB Franchising, LLC since November 2008 and Jungle Quest Franchising, LLC since May 2007. Mr. Nieb has also served as an Independent Consultant with Kris Nieb & Associates, LLC since April 2005, and as the Owner of K&A Services, Inc. since June 2000. Mr. Nieb previously served as the Business Development Director for Gelazzi Franchising Inc. from November 2006 to February 2007. From August 2003 to December 2004, Mr. Nieb served as the Development Manager for Maui Wowi Fresh Hawaiian Blends. Kris Nieb performs services for us as an independent contractor through Kris Nieb & Associates, LLC.

Chris Earl, Director of Operations

Chris Earl has served in the position of Director of Operations since March 2009. Prior to that time, he was Vice President for Sun Valley Farm LLC, in Yorkville, Illinois, from June 1989 until March 2009.

Joshua Rogers, Director of Technology and Franchise Support

Joshua Rogers serves as our Director of Technology and Franchise Support, and has done so since February 2009. Joshua has also served as the President and Chief Executive Officer of Open Jar Media, LLC in Montgomery, Illinois since April 2007. From August 2001 through April 2007, Mr. Rogers served as Media Director for Grace Pointe in Naperville, Illinois.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

The Initial Franchise Fee for a Speed Training Business is \$39,500, payable when you execute a Franchise Agreement. In the event that we grant your request for Additional Territory, which must be made prior to the date you sign your Franchise Agreement, you will also pay us an Additional Territory Fee equal to \$15,000 for each increment of 100,000 people, up to a maximum of 400,000 people. You must also pay to us an Initial Training Program Fee and the Start-Up Advertising and Promotion Fee when you execute a Franchise Agreement. The Initial Training Program Fee is \$20,000 and the Start-Up Advertising and Promotion Fee is \$30,000. You will also be required to pay us an equipment fee (“**Equipment Fee**”) of \$15,000 and a technology fee (“**Technology Fee**”) of \$10,000. The Equipment Fee and Technology Fee are due 45 days prior to your grand opening event. (See ITEM 7). The Initial Franchise Fee, Initial Training Program Fee, Start-Up Advertising and Promotion Fee, Equipment Fee, and Technology Fee are deemed fully earned by us once paid and are non-refundable, except as described below in this ITEM 5. In the future, we may offer franchises to operate a Speed Training Business at a leased or owned facility designated by us as a speed dome (“**Speed Dome Franchise**”). We will determine the amount of the Initial Franchise Fee for a Speed Dome Franchise at the time we elect to offer the Speed Dome Franchise.

During our most current fiscal year ended December 31, 2008, we collected uniform Initial Franchise Fees of \$30,000 and collected Initial Training Program Fees ranging from \$10,000 to \$20,000. During our most recent fiscal year ended December 31, 2008, we collected total Initial Franchise Fees of \$240,000 from all franchisees.

We will refund 50% of the Initial Franchise Fee within 30 days after notice of termination by us if you do not complete your initial training program to our satisfaction or if you do not receive, through no fault of your own and after your diligent pursuit, all applicable licenses and permits within six months after the mutual execution of the Franchise Agreement. We will also refund the full amount of any Additional Territory Fee paid by you and the Initial Training Program Fee and Start-Up Advertising and Promotion Fee less expenses incurred by us if we agree to terminate your franchise before you attend the initial training program. If we decide to terminate your franchise after you attend the initial training program, we will not refund any portion of the Initial Training Program Fee to you, but we will refund the Start-Up Advertising and Promotion Fee less expenses incurred by us. We will not refund the Equipment Fee or the Technology Fee once you have paid these fees to us, even if you do not open your Speed Training Business. We will notify you in writing if we decide to terminate your Franchise

Agreement and give you a partial refund of the Initial Franchise Fee and Start-Up Advertising and Promotion Fee. There are no refunds of these fees under any other circumstances.

We are not obligated to sell any additional Franchises to any particular applicant.

ITEM 6 OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee [†] (1)	8% to 10% of Gross Revenue per month	Payable monthly on or before the 10 th day of each month	Gross Revenue means all revenue generated by the Speed Training Business operation. Your Royalty Fee will be 10% of your Gross Revenue until you have generated a total of \$1,000,000 in Gross Revenue, at which point your Royalty Fee will be 8% of your Gross Revenue.
Individual Advertising Expense After The First 90 Days Of Operation (2)	At least \$1,000 per month (“ Individual Advertising Expense ”)	Payable monthly at time set by you	You must spend a minimum of \$1,000 on local marketing efforts every month.
National Marketing and Promotions Fee [†] (3)	Between 1% to 3% of Gross Revenue	Payable monthly on or before the 10 th day of each month	We do not currently charge a National Marketing and Promotions Fee. We will notify you of the initial amount once the National Marketing and Promotions Fund is in existence.
Initial Training for Additional Person(s) [†] (4)	\$1,000 per person	Payable prior to the beginning of the initial training program	We will pay the cost of lodging, ground transportation and meals for additional people attending the training once the program attendees arrive at the initial training location. You must pay for travel expenses to get to the initial training program location, salaries, benefits and any other personal expenses for any additional attendees incurred during this time.
Transfer Fee [†]	\$5,000	Prior to acceptance of transfer	Payable before you transfer your Speed Training Business to a third party. No fee is charged to an individual or partnership franchisee that transfers its rights to a corporation controlled by the same interest holders.
Audit [†]	Cost of audit	30 days after billing	Payable only if audit shows an understatement of at least 2% of Gross Revenue for any month.
Start-up Materials <i>i.e.</i> letterhead, business cards, etc. [†]	Initial set free. Additional materials approximately \$100-\$200	Additional material upon delivery	
Fee for Lost Operations Manuals [†]	\$250	Upon delivery	
Renewal Fee [†]	10% of then current Initial Franchise Fee	Upon renewal of the right to operate a Speed Training Business	

Name of Fee	Amount	Due Date	Remarks
Insurance (5)	At a minimum, comprehensive general liability coverage	As incurred	Insurance requirements are set forth in Section 12.1(a) of the Franchise Agreement.
Indemnification [†]	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your Speed Training Business.
Cost of Enforcement or Defense [†]	All costs including accounting and attorneys fees	Upon settlement or conclusion of claim or action	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Interest [†]	Lesser of 1.5% per month or highest rate of interest allowed by law	As incurred	Begins to accrue after any payments are due and unpaid.
Late Report Fee [†]	\$100 per violation	As incurred	Payable only if a required report or financial statement is not delivered when due.
Technology Maintenance Expense	The then-current cost of purchasing required hardware and software upgrades. The estimated range of costs are \$1,000-\$2,000	At time of upgrade, which may be required at any time if we determine that the existing hardware and/or software is outdated	We impose no cap or limitation on the amount of expense you may incur for hardware and software upgrades.
Don Beebe Appearance Fee	\$2,500 plus applicable travel expenses	Prior to appearance	This fee is only payable if you request that Don Beebe make an appearance at your Speed Training Business. This fee does not apply to any appearance by Don Beebe at your grand opening.
Seminars, Conventions or Programs	You must pay your expenses, conference fees, if any, as well as the expenses your Designated Business Manager and employees incur in attending these meetings. The estimated range of costs is \$500-\$1,500 per person	As incurred	We reserve the right to conduct annual meetings of all Franchisees.

† Denotes fees which are imposed and payable to us or our Affiliates. All fees paid to us or our Affiliates are non-refundable under any circumstances once paid except as provided in ITEM 5. Fees paid to vendors or other suppliers may or may not be refundable depending on your vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and execute all documents, including authorization (in the form attached to the Franchise Agreement as **Attachment D** or any other form that we may accept) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure you shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing.

You shall make the funds available to us for withdrawal by electronic transfer no later than the payment due date. If you have not timely reported your Speed Training Business' Gross Revenue to us for any reporting period, then we shall be authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the Speed Training Business' Gross Revenue was provided to us; or (b) the amount due based on information retrieved from any approved Computer System.

Notes:

- (1) Royalty Fee. The Royalty Fee ranges between 8% and 10% of the previous month's Gross Revenue. Your Royalty Fee will be 10% of your previous month's Gross Revenue, until you have generated an aggregate of \$1,000,000 in Gross Revenue. After you generate an aggregate of \$1,000,000 in Gross Revenue, your Royalty Fee will be reduced to 8% of the previous month's Gross Revenue. "**Gross Revenue**" means the total of all receipts from all sales of Products and Services and merchandise sold at or in association with your Speed Training Business and all income of every other kind and nature related to the operation of your Speed Training Business, whether for cash or credit and regardless of collection in the case of credit (See Franchise Agreement, Definitions section for a complete definition of Gross Revenue).
- (2) Individual Advertising Expense. The Individual Advertising Expense is a minimum of \$1,000 per month. (See ITEM 7). You are not required to spend the Individual Advertising Expense during the first 90 days that your Speed Training Business is operating.
- (3) National Marketing and Promotions Fee. We do not currently charge a National Marketing and Promotions Fee. We will notify you of the initial amount of the National Marketing and Promotions Fee once the National Marketing and Promotions Fund is in existence. We reserve the right to charge between 1% and 3% of Gross Revenue when we establish the National Marketing and Promotions Fund. We will provide you with 30 days' notice before we charge the National Marketing and Promotions Fee. These funds will be used for national or regional advertising, to generate marketing materials and promotions materials, for public relations purposes, and for administrative costs associated with our marketing efforts. (See ITEM 11).
- (4) Initial Training for Additional Persons. We provide initial training for three people for five business days. You must pay us the Initial Training Program Fee when you sign the Franchise Agreement. If you want additional people to attend the initial training program, we will charge an additional training fee of \$1,000 per person. Training fees can be increased or decreased by us at any time in our discretion. You will need to pay for airfare for each additional person attending the initial training program. We will pay for lodging, ground transportation, and meals for additional people attending the initial training program once the program attendees arrive at the initial training location.
- (5) Insurance. You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates and our designated Affiliates officers, directors and employees against any loss, liability, personal injury, death, property

damage, or expense resulting from the operation of your Speed Training Business and all services you provide in connection with the operation of your Speed Training Business as we may require for your and our protection at our sole discretion in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically at our sole discretion). You must also procure and maintain all other insurance required by state or federal law, including workers compensation insurance and unemployment insurance. The policies must also stipulate that we shall receive a 30-day prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of subrogation against us. Original or duplicate copies of all insurance policies, certificates of insurance or other proof of insurance acceptable to us, including original endorsements affecting the coverage required by us shall be furnished to us together with proof of payment within 10-days of issuance. You shall also furnish us with certificates and endorsements evidencing such insurance coverage within 10-days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by us. If you fail to procure and maintain the required insurance coverage, we have the right and authority to procure the insurance coverage and charge you, which charges, together with a reasonable fee for our expenses incurred in this procurement, you will pay immediately upon notice.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Expense (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee (2)	\$39,500	\$39,500	Lump sum	Upon signing the Franchise Agreement	Us
Initial Training Program Fee (3)	\$20,000	\$20,000	Lump sum	Upon signing the Franchise Agreement	Us
Leasehold Improvements (4)	\$1,000	\$40,000	As agreed	As agreed	Contractor
Equipment Fee (5)	\$15,000	\$15,000	Lump sum	45 days prior to grand opening	Us
Technology Fee (6)	\$10,000	\$10,000	Lump sum	45 days prior to grand opening	Us
Sales Tax on Equipment Fee (7)	\$0	\$1,500	Lump sum	45 days prior to grand opening	Us on behalf of the state taxing authority
Signage (8)	\$50	\$3,000	As agreed	As agreed	Sign company

Expense (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Office Equipment And Supplies (9)	\$500	\$3,000	As agreed	As agreed	Suppliers and third parties
Computer Equipment (10)	\$500	\$3,000	As agreed	As agreed	Suppliers and third parties
Rent And Security Deposits (11)	\$2,000	\$4,000	Lump sum or as agreed	Upon lease execution or as agreed	Landlord
Expenses Per Person Related To Training (12)	\$500	\$2,000	As incurred	As incurred	Airlines and third parties
Insurance (13)	\$1,000	\$3,000	As agreed	As agreed	Third party insurance carriers
Utility Deposits, And Other Prepaid Expenses (14)	\$500	\$3,000	Lump sum or as agreed	As agreed	Phone carriers; utility carriers; etc.
Licenses And Permits (15)	\$1,000	\$2,500	As agreed	As agreed	Third parties; governmental agencies
Fictitious Name Registration And Incorporation (16)	\$1,000	\$2,500	As incurred	As incurred	Third parties; governmental agencies
Professional Fees (17)	\$1,500	\$3,500	As agreed	As agreed	Attorney; accountant; third parties; governmental Agencies
Start-Up Advertising and Promotion Fee	\$30,000	\$30,000	Lump Sum	Upon signing the Franchise Agreement	Us
Additional Funds (Six-Month Initial Phase) (18)	\$10,000	\$60,000	As incurred	As incurred	Third parties
Additional Territory Fee (19)	\$0	\$60,000	Lump sum	Upon signing the Franchise Agreement	Us
TOTAL (20)	\$134,050	\$306,500			

Notes:

- (1) Expenditures. The high and low ranges in the table are based on an average Speed Training Business. All fees imposed by us are non-refundable unless otherwise noted. (See ITEM 5.) Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.
- (2) Initial Franchise Fee. The Initial Franchisee Fee to operate a Speed Training Business is \$39,500. The Initial Franchise Fee is due when you sign the Franchise Agreement and is non-refundable once paid except as provided in ITEM 5. We may, in the future, offer franchisees the right to operate a Speed Dome Franchise. The Initial Franchise Fee for a Speed Dome Franchise will be established at the time we elect to offer such franchises.

- (3) Initial Training Program Fee. We provide initial training at our corporate office located in Aurora, Illinois, or at another location designated by us, for up to three people. You must pay for travel expenses to get to the initial training program location, salaries, benefits and any other personal expenses for yourself and any additional attendees incurred during this time. We will pay for the ground transportation, lodging and meals once the initial training program attendees arrive at the initial training program location. The Initial Training Program Fee is non-refundable once paid, unless stated otherwise in ITEM 5.
- (4) Leasehold Improvements. These amounts are our best estimate of the range of costs of cost of leasehold improvements, based on our and Affiliates' experience in the Aurora, Illinois market, and may vary substantially based on local conditions, including the availability and prices of labor and materials. They do not include the costs of any necessary site development or site engineering work, nor do they include capitalized costs of rent or other occupancy costs, over either the life of the lease or the life of your investment. These estimates assume that the landlord will provide a "vanilla shell" space which, at a minimum, includes concrete floors, demised exterior walls, HVAC, roof, and utilities sufficient for a Branded Facility. In addition, these amounts do not reflect costs for the purchase of unimproved land and construction of a free-standing Branded Facility, which also would result in a significantly greater initial investment. You should carefully investigate all of these costs in the area where you wish to establish your Branded Facility. You may not incur all of these expenses if you are operating your Speed Training Business from a Shared Facility.
- (5) Equipment Fee. The equipment purchased by this fee includes two power pull machines, one bear machine, five speed trainers, three quick-food ladders, two dards, ten hurdles, two bullet belts, ten ankle bands of various colors, 20 jump ropes and 20 elbow bands. We have the right to change the required equipment at any time.
- (6) Technology Fee. The technology purchased by this fee includes video analysis software and House of Speed software. We have the right to change the required technology at any time.
- (7) Sales Tax. Certain states require that we collect sales tax on the equipment sold to you as part of the Equipment Fee.
- (8) Signage. You must purchase our approved exterior sign for the front of Branded Facility. We will provide you with the specifications that must be followed. The average cost for an exterior sign ranges between \$50 and \$3,000, depending on the size of the sign.
- (9) Office Equipment and Supplies. The office equipment includes office furniture, telephone equipment, fax machine and the like.
- (10) Computer Equipment. The estimated initial investment includes costs related to the purchase of specified computer hardware and software. You must also provide us with electronic access to certain daily information.

- (11) Rent and Security Deposits. If you do not own adequate space, you must lease space for your Branded Facility or Shared Facility. Generally, this will require that you pay first and last month's rent, plus a security deposit, at the time you sign the lease. In most cases, the terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to incorporate certain provisions into your lease.
- (12) Expenses Related to Training. We provide training at our headquarters located in Aurora, Illinois or at another location designated by us for up to 3 people. You must pay for travel expenses to get to the initial training program, salaries and benefits, and any other personal expenses for yourself and any additional attendees incurred during this time. We will pay for the ground transportation, lodging and meals once you and your additional attendees arrive at the initial training program location (See ITEM 11 of this Disclosure Document for more information on training.)
- (13) Insurance. Insurance premiums will vary under the circumstances depending on amounts and areas of coverage that you desire.
- (14) Utility Deposits and Other Prepaid Expenses. These estimated amounts include utility deposits, and other prepaid expenses. The amounts will depend upon your local utility companies and other state and local agencies.
- (15) Licenses and Permits. These estimated amounts include fees for city, state and local business licenses and other permit expenses. Other permit and license fees will vary depending on location and on whether applicable laws require the payment of occupational or other taxes for the Speed Training Businesses. Franchise taxes are not included.
- (16) Fictitious Name Registration and Incorporation. These estimated amounts include business entity organization expenses and registration of fictitious names. These amounts will vary depending on location.
- (17) Professional Fees. You may incur legal and accounting fees to review this Disclosure Document to review and negotiate any lease or purchase agreement for your Branded Facility and/or the Shared Facility, prepare business entity organization documents and other legal and accounting expenses associated with the opening of your Speed Training Business.
- (18) Additional Funds (6 Month Initial Phase). This is for budgeting purposes only to account for unanticipated expenses. This amount includes estimated operating expenses you should expect to incur during the first 6 months of operations, not including any revenue generated by your Speed Training Business. It includes payroll costs (but not a draw or salary for you), taxes, utilities, advertising, rent, accounting and other professional fees, and other operational expenses. These figures are estimates. You may incur additional expenses starting your Speed Training Business.
- (19) Additional Territory Fee. You may request to purchase an Additional Territory before you sign your Franchise Agreement, which we may grant or deny in our sole discretion.

If we approve your request for an Additional Territory, you must pay an Additional Territory Fee of \$15,000 for an additional population of 101,000 – 200,000 people (or incremental portion thereof), and \$30,000 for an additional population of 201,000 – 300,000 people (or incremental portion thereof). You may request a maximum Additional Territory of 400,000 people, and you will pay a maximum Additional Territory Fee of \$60,000. If you do not request an Additional Territory this fee is not applicable. The criteria we will use to determine your Additional Territory is described further in ITEM 12.

- (20) Total Estimated Initial Investment. These figures are estimates only. You should review these figures carefully with a business advisor before making any decision to purchase the Speed Training Business. You may incur additional expenses starting your Speed Training Business. Your costs depend on several factors, including how well you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and sales levels reached by your Speed Training Business during the initial period.

We have relied on 11 years of experience of our management team to compile these estimates. This is only an estimate of your initial investment and is based on our estimate of nationwide costs and market conditions prevailing as of the date of this Disclosure Document. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. Many factors that are unique to your location can make a dramatic difference in the estimates provided. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your Speed Training Business in compliance with your Franchise Agreement and the standards and specifications contained in the House of Speed confidential operations manual (“**Operations Manual**”) loaned to you by us.

You must provide specified services and sell specified products. The services include providing speed and agility training for athletes ages 8 and up with all skill levels (“**Services**”). The products include products related to the Services, including Speed and agility work-out apparel, weight training devices and equipment, and House of Speed branded apparel to be worn by your customers (“**Products**”). We reserve the right to require that you sell additional or different Services and Products in your Speed Training Business on 30 days’ prior written notice to you. We also require that you obtain our prior approval, which may be withheld or granted in our sole discretion, prior to selling other products or services in your Speed Training Business, including but not limited to, nutritional supplements, training tapes, training equipment, and other health related products. We may require that you purchase such products only from suppliers pre-approved by us. If we approve your request, you must sell such products in conformance with the Operations Manual. You must provide the Services and sell the Products

per our specifications and standards. We reserve the right to change standards and specifications on 30 days' prior written notice to you. We reserve the right, in our sole discretion to require that you include the revenues from such approved additional products and services in your Gross Revenue for purposes of Royalty Fees, National Marketing and Promotions Fee (if any) and other fees required to be paid under the Franchise Agreement.

We have standards and specifications for your Branded Facility, equipment, uniforms, supplies, forms, Products, Services, advertising materials and most other services and products used in, sold or provided through your Speed Training Business. We will notify you of our specifications and standards. In order to maintain our standards of consistent, high quality Products, customer recognition, advertising support, value and uniformity in Speed Training Businesses, you must purchase or lease all of your required equipment, supplies, fixtures, inventory, goods, services and Products used in or sold through your Speed Training Business, per our specifications and standards, only from us or our approved or designated suppliers and distributors. We are not an approved supplier, but we reserve the right to become an approved supplier at any time in our discretion. None of our officers own any interest in any supplier. We may derive revenue from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory and Products from our approved or designated suppliers and distributors. It is a material breach of your Franchise Agreement if you buy Products, equipment, supplies, fixtures, inventory, goods or services from anyone other than our approved suppliers without our prior written approval. We estimate that the purchase of these supplies, equipment, inventory, fixtures, goods, services and Products from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 25% to 40% of your total cost to establish a Speed Training Business and 5% to 15% of your total cost of operating a Speed Training Business (not including amortization, depreciation, or replacement of worn or obsolete improvements, equipment or fixtures).

In our most recent fiscal year, we received \$165,000 for training equipment and \$190,000 for Start-Up Advertising and Promotion Fee. This amount represents 49.3% of our total revenues of \$724,702.11. None of our affiliates derived revenues from required purchases or leases.

We may require you to license certain software ("**Software**") that we specify in the Operations Manuals on either an annual or perpetual basis, from us or any authorized third-party vendor of such software. You may use the Software only on computer equipment and hardware ("**Hardware**") that we designate purchased through our approved suppliers or obtain our written approval to purchase other equipment. We will respond to requests for approval to purchase equipment other than the Hardware within 30 days from the date the request is received. (See ITEM 11 of this Disclosure Document for more information regarding the Hardware and Software).

We do not have any purchasing or distribution co-operatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved Products for the benefit of our franchisees and we reserve the right to receive rebates on volume discounts from our purchase of Products that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers. There are no caps or limitations on the

maximum amount of rebates we may receive from our suppliers as the result of franchisee purchases.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Agreement	Item in Disclosure Document
a.	Site selection and acquisition/lease	Definitions and Section 8 of the Franchise Agreement	ITEM 11
b.	Pre-opening purchases/leases	Sections 8 and 9 of the Franchise Agreement	ITEM 8 & ITEM 11
c.	Site development and other pre-opening requirements	Section 8 of the Franchise Agreement	ITEM 6, ITEM 7 & ITEM 11
d.	Initial and ongoing training	Sections 7 and 8 of the Franchise Agreement	ITEM 11
e.	Opening	Section 8 of the Franchise Agreement	NONE
f.	Fees	Sections 5, 6 and 11 of the Franchise Agreement	ITEM 5 & ITEM 6
g.	Compliance with standards and policies/operations manual	Section 8 of the Franchise Agreement	ITEM 11
h.	Trademarks and proprietary information	Section 10 of the Franchise Agreement	ITEM 115 & ITEM 14
i.	Restrictions on products/services offered	Sections 8 and 9 of the Franchise Agreement	ITEM 8 & ITEM 16
j.	Warranty and customer service requirements	Section 8 of the Franchise Agreement	ITEM 11
k.	Territorial development and sales quotas	Section 4 of the Franchise Agreement	ITEM 11 & ITEM 12
l.	Ongoing product purchases	Sections 8 and 9 of the Franchise Agreement	ITEM 16
m.	Maintenance, appearance and remodeling requirements	Section 8 of the Franchise Agreement	ITEM 7, NOTE 2
n.	Insurance	Section 12 of the Franchise Agreement	ITEM 8
o.	Advertising	Section 11 of the Franchise Agreement	ITEM 11
p.	Indemnification	Section 12 of the Franchise Agreement	NONE
q.	Owners participation/management/staffing	Sections 7 and 8 of the Franchise Agreement	ITEM 15
r.	Records and reports	Section 6 of the Franchise Agreement	ITEM 6 & ITEM 17
s.	Inspection and audits	Sections 6, 7 and 8 of the Franchise Agreement	ITEM 6
t.	Transfer	Section 15 of the Franchise Agreement	ITEM 17
u.	Renewal	Section 3 of the Franchise Agreement	ITEM 17
v.	Post-termination obligations	Sections 10 and 17 of the Franchise Agreement	ITEM 17
w.	Non-competition covenants	Section 14 of the Franchise Agreement	ITEM 17
x.	Dispute resolution	Sections 19 and 20 of the Franchise Agreement	ITEM 17

ITEM 10 FINANCING

Neither House of Speed nor any agent or Affiliate of ours offers direct or indirect financing. We do not guarantee your note, lease or obligation. Occasionally various lenders notify us of their willingness to offer financing arrangements to franchisees. We will provide you with the names and addresses of those lenders, if you request the information. If you are interested in participating in a financing arrangement with any lender, you should look solely to that lender for any information relating to terms, eligibility and availability of the financing arrangement offered by the lender. Entering into a financing arrangement with any lender must be based solely on your business judgment and after you have performed all due diligence you deem necessary.

We do not currently place financing with anyone and do not receive any payment for the placement of financing. We do not have any past or present practice or intention to sell, assign or discount to any third party, in whole or in part, any financing arrangements. We reserve the right to offer financing or assist franchisees in obtaining financing in the future.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING

Except as listed below, we do not provide any assistance to you.

Pre-opening Obligations

Before you open your Speed Training Business, we (or our designee) will provide the following assistance and services to you:

1. Designate your Territory. (See Sections 7.3(a) of the Franchise Agreement and **Attachment A** to the Franchise Agreement.)
2. Furnish you with specifications for all initial and replacement equipment, tools, inventory and supplies required for the operation of your Speed Training Business. (See Section 7.3(b) of the Franchise Agreement.)
3. Within 60 days of your signing the Franchise Agreement and your receipt of all required licenses and permits, we will conduct a 5 business day training initial program for you, or if you are not an individual, your Designated Business Manager and two additional people in Aurora, Illinois or at another location designated by us. You must pay us the Initial Training Program Fee. (See ITEM 7). You must pay for travel expenses to get to the initial training program location, salaries and benefits, and any other personal expenses for yourself and any additional attendees incurred during this time. We will pay for the ground transportation, lodging and meals incurred after you arrive at the initial training program location for up to three people. (See Section 7.3(d) of the Franchise Agreement.)

4. Approve in writing your Branded Facility or your Shared Facility. We will also provide you with our specifications for the build out and décor for your Branded Facility. (See Section 7.3(c) of the Franchise Agreement.)

5. Loan you one copy of our confidential and proprietary Operations Manual at the time of execution of the Franchise Agreement. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically in our discretion. The Operations Manual may be in printed or in an electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual and to require you to access the document using the Internet or an intranet created and supported by us. The Operations Manual contains approximately 91 pages. The Table of Contents for the Operations Manual is attached to this Disclosure Document as **Exhibit F**. (See Section 7.3(e) of the Franchise Agreement.)

6. Provide you with an initial inventory of letterhead, business cards and other start up materials at no additional cost. If you want additional copies, you must pay duplication costs estimated to be \$100 to \$200. (See Section 7.3(f) of the Franchise Agreement.)

7. Provide you with on-site pre-opening and grand opening assistance during the first eight weeks of operations of your Speed Training Business. (See Section 7.3(g) of the Franchise Agreement.)

8. Consult with you on our current site selection guidelines and provide other site selection counseling, as we deem advisable, in our sole determination. If you intend to operate your Business from a Branded Facility, then as part of our pre-opening services, we will make a maximum of two on-site real estate evaluations of the proposed site for your Branded Facility, without charge. (See Section 7.3(h) of the Franchise Agreement.)

Continuing Obligations

During the term of the Franchise Agreement, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory specifications, standards and procedures for the operations of your Speed Training Business, as described in ITEM 8. (See Section 7.4(d) of the Franchise Agreement). There are no additional charges for these services.

2. Make a representative available to speak with you on the telephone during regular business hours to discuss your operational issues and support needs (See Section 7.4(a) of the Franchise Agreement). There are no additional charges for these services.

3. Research new Products, Services and training methods and provide you with information concerning developments of this research. (See Section 7.4(e) of the Franchise Agreement). There are no additional charges for these services.

4. Maintain the National Marketing and Promotions Fund and use these funds to develop promotional and advertising programs for Speed Training Businesses. (See Section 7.4(f) of the Franchise Agreement). There are no additional charges for these services.

5. Provide advertising materials to you in the form of an arts graphics package, which is included in your Operations Manual. (See Section 7.4(g) of the Franchise Agreement). There are no additional charges for these services.

6. A representative of ours may, at our sole discretion, provide additional assistance. (See Section 7.4(h) of the Franchise Agreement). There may be additional charges for these services. If we provide additional assistance, we must agree in advance on the charges you will pay and the length of the visit. (See ITEM 6.)

7. We may choose to provide you with continuing national, regional or local workshops and seminars, which we hold in our discretion. You must pay the conference fee, if any, and all travel and living expenses. We may require that you attend these conferences. These mandatory conferences are held at our Aurora, Illinois headquarters or at a location chosen by us. (See Section 7.4(b) of the Franchise Agreement.)

8. We may provide you with a monthly newsletter, in our discretion. (See Section 7.4(i) of the Franchise Agreement.)

9. If you initially operate the Speed Training Business from a Shared Facility, then as part of our continuing services, we will make a maximum of 2 on-site real estate evaluations of the proposed site for your Branded Facility, without charge. After the initial on-site real estate evaluations for your proposed Branded Facility, if we think further on-site evaluation is still necessary or if you reasonably request it, we or our designee will make additional on-site real estate evaluations. (See ITEM 11). For each additional on-site real estate evaluation that we or you deem necessary, we will require you to reimburse us for our reasonable expenses incurred including the cost of travel, lodging and meals (See Section 7.4(j) of the Franchise Agreement).

Except as listed above, we do not provide any additional assistance to you.

Training

Before the opening of your Speed Training Business, we provide an initial training program lasting approximately five business days. The initial training program is usually conducted at our corporate headquarters located in Aurora, Illinois, but the training course may be held elsewhere in the future in our discretion. You will be deemed fully trained and ready to open your Speed Training Business upon completing the initial training program to our satisfaction.

Under the Franchise Agreement, before you begin operating your Speed Training Business, you or, if you are not an individual, a “**Designated Business Manager**” must attend and successfully complete to our satisfaction our initial training program. You may have two additional people attend the initial training program at no additional training fee. If the Designated Business Manager’s employment with you is terminated, you must designate a new Designated Business Manager who must successfully complete our initial training program within 60 days after the termination of the initial Designated Business Manager, unless we do not hold an initial training program during that 60-day period, in which case the replacement Designated Business Manager must attend and successfully complete the first available initial training program held by us. You may be charged an additional training fee for a replacement

Designated Business Manager and the costs for airfare, ground transportation, lodging, meals, personal expenses, and the Designated Business Manager's salary and benefits must be paid by you.

You must pay the Initial Training Program Fee for the initial training program for you or your Designated Business Manager and two additional people. If you desire to have additional people attend the initial training program there will be a \$1,000 per person training fee. We do not pay any travel expenses to arrive at the initial training program location, salaries, or other personal expenses for any person attending the initial training program. We will pay for ground transportation, lodging and meals for all attendees of the initial training program once they arrive at the initial training program location.

Our initial training program consists of approximately five business days of training as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours Of On-the-Job Training	Location
Accounting	3 hours	0	Aurora, IL
Day-to-day operations	1 ½ hours	0	Aurora, IL
Website	1 hour	0	Aurora, IL
Grand Opening	1 hour	0	Aurora, IL
Marketing	4 hours	0	Aurora, IL
Consumer/Target Market/Prospecting	1 hour	0	Aurora, IL
Camp/Clinics	½ hour	0	Aurora, IL
Competition	½ hour	0	Aurora, IL
Business Plan	1 hour	0	Aurora, IL
Human Resources	2 hours	0	Aurora, IL
Operations Manual	½ hour	0	Aurora, IL
Public Relations/Promotion	¾ hour	0	Aurora, IL
Merchandise Marketing	1 hour	0	Aurora, IL
Policies/Procedures	¾ hour	0	Aurora, IL
Budgeting/Expenses	½ hour	0	Aurora, IL
Video Analysis/Database	2 hours	0	Aurora, IL
DROM/Skips	0	¾ hour	Aurora, IL
Running Form	0	1 hour	Aurora, IL
Explosion Drills	0	¾ hour	Aurora, IL
Running Plyometrics	0	1 hour	Aurora, IL
Start Forms	0	1 hour	Aurora, IL
Power-Pull	0	¾ hour	Aurora, IL
Combine Drills	0	1 ¼ hours	Aurora, IL
Cutting Drills	0	1 hour	Aurora, IL
False Steps	0	½ hour	Aurora, IL
Hula-Hoop	0	½ hour	Aurora, IL
Jump Rope Routine	0	¼ hour	Aurora, IL
Dot Drill	0	¼ hour	Aurora, IL
Quick Foot Ladder/Quick Hands	0	1 ½ hours	Aurora, IL
Core Routine	0	1 hour	Aurora, IL
Vision Training	0	½ hour	Aurora, IL

Subject	Hours of Classroom Training	Hours Of On-the-Job Training	Location
Football Drills	0	1 hour	Aurora, IL
Basketball Drills	0	1 hour	Aurora, IL
Track Drills	0	½ hour	Aurora, IL
Volleyball Drills	0	½ hour	Aurora, IL
Totals	21 hours	15 hours	

The initial training program and other on going training will be conducted by training personnel under the direction of Don Beebe and Dr. Jeff Schutt, whose backgrounds are described in ITEM 2. David Beebe has 15 years of experience in computer programming and three years of experience with us. Cory Savage has 15 years of experience in marketing and two years of experience with us. Brent Harner has nine years of experience in sports performance training and nine years of experience with us. Dr. Jeff Schutt has 20 years of experience in sports performance training and eleven years of experience with us. We may change or substitute training personnel as necessary, and we may delegate our duties and share our responsibilities with regard to training. If we substitute training personnel, we will ensure that the substitute instructor has at least one year of experience in the respective subject.

We may present seminars, conventions or continuing development programs for the benefit of Franchisees. Your attendance is mandatory at these conventions. You must pay for any conference fee and your travel and living expenses incurred in attending any seminar.

Advertising Programs

At the time you sign your Franchise Agreement, you will pay to us a start-up advertising and promotion fee (“**Start-Up Advertising and Promotion Fee**”) of \$30,000.00. We will use these funds to pay for all of your advertising for the period beginning 30 days before you open your Speed Training Business and continuing through the first 60 days after you have your Speed Training Business open and operating. Your Start-Up Advertising and Promotion Fee will cover all costs for one grand opening event, including all travel and lodging expenses for Don Beebe and his staff.

Local Advertising

On a monthly basis beginning after the first 90 days after you have opened your Shared/Branded Facility, you must spend at least \$1,000 per month (“**Individual Advertising Expense**”) for marketing purposes in your Territory. You must submit monthly reports to us reflecting your advertising expenditures. The Individual Advertising Expense must be used by you for local advertising, to be selected and placed by you, in your Territory. These funds are reserved only for marketing, promotions and advertising of your Speed Training Business. You may not advertise outside your Territory without our approval, which may be withheld at our sole discretion. You are not required to participate in a local or regional advertising cooperative, but we reserve the right to require you to do so in the future.

National Marketing and Promotions Fund

Under the Franchise Agreement we reserve the right to require you to pay us a national marketing and promotions fee (“**National Marketing and Promotions Fee**”) of between 1% and 3% of your monthly Gross Revenue, as we shall determine. You must pay the National Marketing and Promotions Fee at the same time that you pay your Royalty Fee, based on the amount of Gross Revenue you generated in the previous reporting period. We do not currently require you to pay the National Marketing and Promotions Fee. However, we may, after giving you 30 days’ notice, establish the National Marketing and Promotions Fund and charge the National Marketing and Promotions Fee. We will deposit the National Marketing and Promotions Fees in a separate bank account, commercial account or savings account (“**National Marketing and Promotions Fund**”). The National Marketing and Promotions Fund will be administered by us, in our discretion, and we may use a professional advertising agency or media buyer to assist us. Your contribution to the National Marketing and Promotions Fund will be in addition to all other advertising fees set out in this ITEM 11. We do not have an advertising council composed of franchisees at this time, but we reserve the right to establish one in the future.

We may reimburse ourselves, our authorized representatives or our Affiliates from the National Marketing and Promotions Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the National Marketing and Promotions Fund. We assume no other direct or indirect liability or obligation to collect amounts due to the National Marketing and Promotions Fund or to maintain, direct or administer the National Marketing and Promotions Fund. Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the National Marketing and Promotions Fund on any terms we deem reasonable.

Advertising and promotional materials and services, along with public relations services, will be provided through the National Marketing and Promotions Fund. We may occasionally provide for placement of advertising on behalf of the entire System, including franchisees, or on behalf of a particular region, that may not include you, through the National Marketing and Promotions Fund. We reserve the right to use the National Marketing and Promotions Fee from the National Marketing and Promotions Fund to place advertising in national media or regional media (including broadcast, print or other media) in the future and to engage one or more public relations firms to build brand recognition for the House of Speed System. We are not obligated to expend National Marketing and Promotions Funds on your behalf or benefit or expend National Marketing and Promotions Funds equivalent or proportionate to the amount you have contributed as National Marketing and Promotions Fees on your behalf or benefit.

National advertising, public relations, and promotions will be started and continued by us, when we deem that it has accumulated sufficient moneys for that purpose. The National Marketing and Promotions Fund will be used to promote the System, Services and/or Products sold by franchisees and will not be used to sell additional franchises. The National Marketing and Promotions Fund will collect National Marketing and Promotions Fees from all franchisees and all franchisees will pay the same amount. All payments to the National Marketing and

Promotions Fund must be spent on advertising, public relations, market research, promotion, marketing of goods and services provided by us, outside vendors, including but not limited to marketing agencies, and administration of the National Marketing and Promotions Fund, including but not limited to, salaries, overhead, administrative, accounting, collection and legal costs and expenses. If there are excess funds in the National Marketing and Promotions Fund at the end of any fiscal year, we will retain the excess amounts for use in a subsequent year. An annual un-audited financial statement of the National Marketing and Promotions Fund, at the expense of the National Marketing and Promotions Fund, will be made available to you for review within 120 days after your fiscal year end, if you request a financial statement.

We may use the National Marketing and Promotions Fund for the creation, production and placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; administering multi-regional advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; engaging one or more public relations firms or conducting our own public relations campaigns; market research; and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional or national media of our choice, including print, direct mail, radio or television.

We did not collect any National Marketing and Promotions Fees during our most recent fiscal year ended December 31, 2008. We will not use National Marketing and Promotions Fund monies to solicit franchisees in our current fiscal year. Neither our Affiliates nor we receive payments for providing goods or services to the National Marketing and Promotions Fund, except for reimbursement of expenses as described above.

Except as described above, we are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

Marketing Resources, Pre-Approvals For Marketing Materials and Internet Marketing

You must order sales and marketing material from our designated supplier. It is a material breach of the Franchise Agreement to use other marketing material without prior written approval. Use of logos, Marks and other name identification materials must be consistent with our approved standards. You may not use our logos, Marks and other name identification materials on Products or Services in association without our prior written approval. If we approve of promotional items or services that will be sold in your Speed Training Business, or services must be included in your Gross Revenue and will be subject to the Royalty Fee, Individual Advertising Expense and the National Marketing and Promotion Fees.

We retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, advertising, and co-branding arrangements. You may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks. We intend that any franchisee website be accessed only through our home page. You will provide us content for our Internet marketing. We retain the right to approve any linking or other use of our website.

Site Selection

You must select the site for the Branded Facility that you will operate your Speed Training Business subject to our consent. You may not relocate your Speed Training Business from the approved Branded Facility without our prior written consent. Before leasing or purchasing the site for the Branded Facility, you must submit to us, in the form we specify, a description of the site, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. We reserve the right to require you to commission and pay for an economic feasibility study for your proposed site. (See ITEM 6). We will have 30 days after we receive this information and materials to evaluate the proposed site and to provide our approval or disapproval of the site. If we approve the site, you must purchase or lease, at your expense, the site for the Branded Facility within 60 days after our evaluation. You must submit for review any sale or lease contract before you sign it.

You will have up to 12 months from the date that you execute the Franchise Agreement to locate and lease or purchase a Branded Facility that meets our approval. However, if you have not found or leased an approved Branded Facility within the scheduled time for opening your Speed Training Business set out below in this ITEM 11, you must operate your Speed Training Business from a Shared Facility. We must approve the Shared Facility prior to you operating your Speed Training Business from such location. You must provide to us, in the form we specify, a description of the non-branded site, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the Shared Facility site. We will have 30 days after we receive this information and materials to evaluate the proposed Shared Facility site and to provide our approval or disapproval of the site. You must purchase or lease, at your expense, the Shared Facility site within 60 days after our evaluation and approval of the site. You must submit for review any sale or lease contract before you sign it and obtain our approval prior to signing any sale and lease contract. You must provide us with a signed sale or lease contract within 15 days of signing.

If we do not provide you with approval of your Branded Facility or the Shared Facility, as the case may be, within the 30 days described above, the site will be deemed disapproved and you will need to locate another Branded Facility or Shared Facility site, as the case may be, for your Speed Training Business. You must receive our approval for the alternate site. If we do not provide you with approval for the alternate site, we may, at our sole discretion, extend your opening deadline while you continue to look for another alternate site or terminate the Franchise Agreement. We may also extend the period that you must locate a Branded Facility or Shared Facility to accommodate delays in selecting and obtaining our site approval.

We will consult with you on our current site selection guidelines and provide other site selection counseling, as we deem advisable. We will make a maximum of two on-site real estate evaluations of the proposed site for your Branded Facility, without charge; but, we will not make this on-site evaluation for this or any other proposed site until we receive the information about the Branded Facility site(s) as described above. After the initial on-site real estate evaluations for your proposed Branded Facility, if we think further on-site evaluation is still necessary or if you reasonably request it, we or our designee will make additional on-site real estate evaluations.

For each additional on-site real estate evaluation that we or you deem necessary, we will require you to reimburse us for our reasonable expenses incurred including the cost of travel, lodging and meals (See ITEM 6).

Although we will consult with you on your Branded Facility site, may assist you in finding acceptable locations in the manner set forth above in this ITEM 11, and your Branded Facility site and Shared Facility site, if any, is subject to our final approval, you have the ultimate responsibility in choosing, obtaining and developing the site for your Speed Training Business. Our consultation is not a promise or guarantee that the site you operate your Speed Training Business from will be successful.

Schedule for Opening

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Speed Training Business will be two to four months. Some factors which may affect this timing are your ability to acquire a site through lease negotiations, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, your ability to obtain any necessary permits and certifications, the timing of the delivery of equipment, tools and inventory and the time to convert, renovate or build the Branded Facility or Shared Facility.

You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must apply for all required licenses and permits within 60 days after signing the Franchise Agreement. If you do not receive all required licenses and permits within six months of executing the Franchise Agreement, we may terminate the Franchise Agreement and retain your Initial Franchise Fee and your Initial Training Program Fee.

You may not open your Speed Training Business until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled; (2) initial training is completed to our satisfaction; (3) you have advised us in writing of the name and contact information for your Designated Business Manager; (4) all amounts due to us have been paid; (5) we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; (6) you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; (7) you have received all required permits and licenses; (8) you have provided us with a fully executed copy of the Lease for your Branded Facility or Shared Facility; and (9) you have ordered, received and installed your equipment, supplies, inventory and Computer System. You must be prepared to begin operating your Speed Training Business immediately after we state that your Speed Training Business is ready for opening.

Software and Computer Equipment

You must purchase and use the Hardware and Software required by us. Currently, the Hardware you are required to purchase includes a desk top personal computer which runs on the Windows operating system. The Software you are required to use is Microsoft Office XP Professional or a more recent version. The Hardware and Software are referred to as the

“Computer System.” The Computer System will cost between \$500 and \$3,000. We are obligated to provide enhancements to the website and training on the Software. You must update your Computer System, at your expense, as we may require from time to time in order to meet our specifications as they evolve. Upgrades, in some cases, may only be available through our suppliers. We may change the designated suppliers from time to time on written notice to you. (See ITEM 8). We estimate the cost of purchasing required hardware and software upgrades will be between \$1,000 and \$2,000. (See ITEM 6).

You must have sufficient computer skills to be able to operate your Computer System and to access e-mail and the Internet. You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. You must check your email account at least once every day. If we determine that you require additional computer training, you must take and pay for, at your own expense, a computer training course at a local computer training school. You must complete this training within 90 days of the day we advise you of this requirement, and you must present us with a certificate acceptable to us to show that you passed the course.

We have the right to independently access your electronic information and data through our proprietary data management and intranet system, and to collect and use your electronic information and data in any manner we choose to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such communications and computer-related problems. Neither we nor our Affiliates have any obligation to maintain, repair or upgrade your Computer System.

ITEM 12 TERRITORY

You will be granted a territory (“**Territory**”) in which to sell the Products and Services you are authorized to sell by the Franchise Agreement. Your Territory is based on demographics and other characteristics including population density, average income and other characteristics of the surrounding area, natural boundaries, extent of competition and the amount and size of urban, suburban and rural areas. We will use commercially reasonable efforts to grant only 1 license for a Speed Training Business to a franchisee per 100,000 people (or incremental portion thereof) residing in the designated geographical location (“**Population Limit**”). We will use the most recent population information available in the U.S. Census Data, or other population statistical sources of our choosing to determine populations. We have the exclusive right to determine the boundaries of your Territory at our sole discretion. We reserve the right to change, modify, or delete the Population Limit at our sole discretion. You may not advertise your Speed Training Business or solicit customers for your Speed Training Business outside your Territory without our prior approval.

Prior to the time you sign your Franchise Agreement, you may request to purchase an Additional Territory, which we may grant or deny in our sole discretion. If we approve your

request for an Additional Territory, you must pay a fee of \$15,000 for an additional population of 101,000 – 200,000 people (or incremental portion thereof), and \$30,000 for an additional population of 201,000 – 300,000 people (or incremental portion thereof) (“**Additional Territory Fee**”). You may request a maximum Additional Territory of 400,000 people, and you will pay a maximum Additional Territory Fee of \$60,000. Once you have signed your Franchise Agreement, you may only acquire Additional Territory by signing a new Franchise Agreement and paying the then-current Initial Franchise Fee. We will determine the population and boundaries of your Additional Territory in the same manner and using the same information as we use to determine your initial Population Limit. You must pay us the Additional Territory Fee at the time you sign the Franchise Agreement. The Additional Territory Fee will be non-refundable once paid.

You may be granted, at our sole discretion, express permission to solicit customers in an unsold territory adjacent to your Territory (“**Adjacent Territory**”). You must account for and pay Royalty Fees, Individual Advertising Expense and National Marketing and Promotions Fees on sales from Adjacent Territories using a separate form approved by us. However, you must agree that when this Adjacent Territory is granted to another franchisee, you will, upon receipt of written notice from us, cease all solicitation efforts within the Adjacent Territory, and return to us, within 10 days of the notice, all customer data and prospect information related to the Adjacent Territory. You do not have any first claim on the Adjacent Territory.

You will not be granted an exclusive Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Customers from your Territory may purchase Services and Products from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution. If you advertise or market your Speed Training Business outside of your Territory, unless otherwise approved by us, you will be in breach of your Franchise Agreement, and we would have the right to terminate your Franchise.

We will not operate locations or grant franchises for a Speed Training Business within your Territory unless you do not meet your sales quota (“**Minimum Annual Sales Quota**”) in any year. The Minimum Annual Sales Quota for the first 12 months of operating the Speed Training Business is \$75,000 in Gross Revenue and \$150,000 in annual Gross Revenue for each 12-month period during the remaining term of your Franchise Agreement. Failure to achieve the Minimum Annual Sales Quota is a material breach of the Franchise Agreement. The Minimum Annual Sales Quota is not, and should not be considered, an earnings claim for your Speed Training Business. Except as specifically outlined in ITEM 19 of this Disclosure Document, we do not furnish or authorize our sales persons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Speed Training Business. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise. If you fail to meet your Minimum Annual Sales Quota, we have the right to grant additional franchises within the Territory, reduce the size of your Territory or terminate your Franchise upon 30 days’ written notice.

We reserve the right, among others:

1. to own, franchise, or operate Speed Training Businesses at any location outside of the Territory, regardless of the proximity to your Speed Training Business;
2. to use the Marks and the System to sell any Products or Services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, retail locations, gymnasiums, schools and other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce. If we use the Marks to sell the Products and Services that you are required to sell to a customer in your Territory over the Internet we or our supplier and manufacturers may, at our sole discretion, provide you with a credit in an amount solely determined by us;
3. to use and license the use of other proprietary and non-proprietary marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering speed and agility training for athletes of ages 8 and up with all skill levels, at any location, including within the Territory, which may be the same as, similar to or different from the business operated by you;
4. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Speed Training Business, wherever located;
5. to acquire and convert to the System operated by us any businesses offering services and products related to speed and agility training for athletes ages 8 and up with all skill levels, and the sale of products related to such training, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and
6. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the service mark “HOUSE OF SPEED®” which is registered with the United States Patent and Trademark Office, and various designs and logo types associated with our services. You may also use our other current or future Marks as we may designate to operate your Speed Training Business.

The Marks and the System are owned by HOSB and are licensed exclusively to us and our Affiliates. HOSB has granted us an exclusive, royalty-bearing license (“**Trademark License**”) to use the Marks for purposes of franchising the System around the world. The

Trademark License extends for 20 years, commencing June 21, 2006 but it will automatically renew for subsequent 20-year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. In the event the Trademark License is terminated, HOSB has agreed to license the use of the Marks directly to our franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

Mark	Application Filing or Effective Date	Serial/ Registration No.	Status
HOUSE OF SPEED	December 18, 2007	3,356,338	Registered on the Principal Register

We may also use a number of additional unregistered, common law trademarks. You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques. You must get our prior written approval of your company name before you file any registration documents. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks which are relevant to the use of these Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We may take any action necessary, at our sole discretion, to protect the unauthorized use of our Marks, however, we are not required to protect your right to use the Marks or protect you against claims of infringement or unfair competition in connection with the Marks. We are not required to indemnify you from any claims arising in connection with the Marks. If we require you to use alternate Marks, we will reimburse you for the associated tangible costs up to \$500, and you will not have the right to make a claim for damages, offset any costs or terminate the Franchise Agreement. We have the exclusive right to control any administrative proceedings or litigation involving the Marks.

You must modify or discontinue the use of a trademark if we modify or discontinue the Mark. If this happens, we will reimburse you for your tangible out of pocket cost of compliance (for example, changing letterhead and business cards) up to \$500. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your Speed Training Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your Speed Training Business name.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in ITEM 11 and Sections 7, 8 and 10 of the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, the content and format of our Products, as well as any other writings, recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manual, the Marks, the advertising materials, the content and format of our Products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyrighted Materials**”) in connection with your operation of your Speed Training Business, but such copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Materials of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Materials that will or may significantly limit your use of our Copyrighted Materials.

Our Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of Speed Training Businesses, formulations for and packaging of Products, and training and safety techniques used to provide Services sold at Speed Training Businesses, information concerning Product and Service sales, operating results, financial performance and other financial data of Speed Training Businesses and other related materials are proprietary and confidential (“**Confidential Information**”) and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“**Trade Secrets**”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your Speed Training Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a

business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Speed Training Business during the term of the Franchise Agreement.

You must notify us within 3 days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Materials or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Materials, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Materials, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Materials, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Materials, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to any of our Copyrighted Materials, Confidential Information or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have discretion to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Materials, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Materials, Confidential Information or Trade Secrets.

No patents are material to us at this time.

We have the right to inspect, copy and use all records with respect to the customers, suppliers, and other services providers of, and related in any way to your Speed Training Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes, as we deem appropriate, at our sole discretion.

You must disclose to us all ideas, techniques and products concerning the development and operation of the Speed Training Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of Speed Training Business that you or your employees conceive or develop during the term of the Franchise Agreement in all indoor and outdoor speed and agility training businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other

person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

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

If you are an individual, you must directly supervise the Speed Training Business at your Branded Facility and/or your Shared Facility. If you are a business entity, the direct, on-site supervision must be done by a Designated Business Manager. If we believe you lack sufficient business experience, you must designate a Designated Business Manager to act as the operating manager for your Speed Training Business. We must approve the selection of the Designated Business Manager prior to signing the Franchise Agreement. The Designated Business Manager must attend and successfully complete the initial training program, and must abide by the obligations in the Franchise Agreement and the Operations Manual. The Designated Business Manager must agree to the confidentiality and non-competition obligations in the Franchise Agreement. (See **Attachment A** to the Franchise Agreement).

If you are a legal or business entity, each individual who owns, directly or indirectly, a 5% or greater interest in you (and, if you are an individual, your immediate family defined as your spouse or domestic partner and any adult children involved in any way with the Speed Training Business) must sign the Guaranty and Assumption of Franchisee's Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement (See **Attachment B** to the Franchise Agreement) and our Nondisclosure and Noncompetition Agreement attached to this Disclosure Document as **Exhibit G**).

In signing the Franchise Agreement, you acknowledge that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone. We, as a matter of policy, will not assist you in any decision-making process that may affect the operations of your Speed Training Business. The success or failure of the franchise as a business enterprise is dependent solely on your efforts. The purchase of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.

Under the Franchise Agreement, we have characterized certain parties as your "**Principals**." The Franchise Agreements and attachments are signed by us, by you, and by those of your Principals whom you choose to designate as "**Controlling Principals**." In most instances, your principal equity owners and executive officers are your Controlling Principals. Your Principals would also include your spouse or domestic partner (if you are an individual rather than an entity), and all general partners, officers and directors (if you conduct business as a corporation or partnership), and managers (if you operate as a limited liability company). If you conduct business as a corporation, partnership, or limited liability company, all 5% or greater equity owners (and possibly a smaller percentage if we decide to reduce the percentage) must jointly and severally guarantee the performance under and bind themselves to the terms of the agreements, unless the entity is a publicly traded corporation. By signing the Franchise Agreements and attachments, your Controlling Principals agree to be individually bound by

certain obligations in the Agreements, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Agreement.

**ITEM 16
RESTRICTIONS ON WHAT FRANCHISEE MAY SELL**

You must refrain from using or permitting the use of your Speed Training Business for any other purpose or activity at any time without first obtaining our written consent.

You must sell or offer for sale only those Services and Products which are authorized by us and which meet our standards and specifications. (See ITEM 8). You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required Services and Products at our discretion with prior notice to you. (See ITEM 8). You must discontinue selling and offering for sale any Services or Products, which we may, in our discretion, disapprove in writing at any time. We reserve the right to establish maximum resale prices for use with multi-area marketing programs and special price promotions.

We may authorize you, in our sole discretion, to sell nutritional supplements, training videos, training equipment, and the like from your Speed Training Business. The sale of such items is subject to the requirements set out in the Operations Manual and our prior approval. (See ITEM 8).

**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	Seven years
b. Renewal or extension of the term	Section 3	If you are in good standing you can add one additional term of seven years, however, you may be required to sign an agreement with materially different terms and conditions than your current Franchise Agreement
c. Requirements for you to renew or extend	Section 3	Sign Successor Franchise Agreement, be current in payments, sign release, pay Franchise Successor Renewal Fee
d. Termination by you	None	Not applicable
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	Section 17	Can terminate upon certain violations of the franchise agreement by you

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	Section 17	You have 30 days to cure the defaults listed in Section 17.2 (failure to maintain current operating procedures and standards; failure to obtain our consent as required under the franchise agreement; failure to comply with current Manual; default under the lease, franchise agreement or any other material agreement and default is not cured as set forth in the lease or agreement; failure to file any required report; failure or refusal to accurately report Gross Revenues or other sales information; failure to comply with any other provision of the franchise agreement failure to correct such default within receipt of 30 days’ written notice)
h. “Cause” defined – non-curable defaults	Section 17	Non-curable defaults: the defaults listed in Section 17.1 (disclosure of confidential information; abandonment; insolvency or bankruptcy; unsatisfied material judgments; felony convictions or crimes of moral turpitude; failure to pay amounts ten days overdue; misuse of the Marks; receipt of two notices of default in 12-month period; unauthorized transfer; understatement of Gross Revenue by 3% or greater; failure to submit reports; sale of unauthorized merchandise or services; contest our ownership of the Marks; if you are an entity, the merger, consolidation, dissolution or liquidation of entity without our approval; failure of Designated Business Manager to successfully complete training; receipt of 3 or more notices of default; violation of Anti-Terrorism laws)
i. Your obligations on termination/non-renewal	Sections 10, 12, 14 & 17	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets and records
j. Assignment of contract by us	Section 15.1	No restriction on our right to assign
k. “Transfer” by you – defined	Section 15	Includes transfer of contract or assets or ownership change
l. Our approval of transfer by franchisee	Section 15	We have the right to approve all transfers
m. Conditions for our approval of transfer	Section 15	New franchisee qualifies, Franchise Agreement Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current Franchise Agreement signed by new franchisee
n. Our right of first refusal to acquire your business	Section 16	We can match any offer for your Speed Training Business
o. Our option to purchase your business	Section 16	We may, but are not required to, purchase your inventory and equipment at fair market value if your Franchise Agreement is terminated for any reason
p. Your death or disability	Section 15.9	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 days

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of your franchise	Section 14	No involvement in competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires	Sections 14, 17	No competing business for 2 years (i) in the Territory or any other franchisee's Territory; (ii) 100 miles of the Territory or any other franchisee's Territory or (iii) 100 miles of any of our Affiliate owned Speed Training Business
s. Modification of the agreement	Sections 2.3, 3.5 & 20.11	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. Modifications permitted on renewal of your right to operate a Speed Training Business
t. Integration/merger clause	Section 22.4	Only the terms of the Franchise Agreement are binding (subject to state law); any other promises may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations in this Disclosure Document
u. Dispute resolution by arbitration or mediation	Section 19	Except for certain claims, all disputes must be arbitrated in Illinois
v. Choice of forum	Sections 19.1 & 20.1	Arbitration must be in Illinois, except as provided in a State Specific Addenda attached as Exhibit E
w. Choice of law	Sections 19.1 & 20.1	Illinois law applies, except as provided in a State Specific Addenda attached as Exhibit E

ITEM 18 PUBLIC FIGURES

Don Beebe will attend one grand opening event held by you at no additional cost. You may request additional appearances by Mr. Beebe, however, all requests for additional appearances are subject to Mr. Beebe's availability and can be accepted or rejected in our sole discretion. Mr. Beebe's involvement with us and our Affiliates is described in ITEM 2. Mr. Beebe paid \$800 in cash for his equity interest in House of Speed.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The information provided below is based on the actual performance of our only franchisor-owned location (the “**Corporate Location**”) in Aurora, Illinois for the 12-month period ending December 2007. The information is not based on franchised locations. The Corporate Location was operated as a Shared Facility. Because the representation relates to the performance of our Corporate Location, franchised outlets will share some of the same characteristics, including, degree of competition, services or goods sold, and services supplied by us. However, the Corporate Location was not subject to the Royalty Fee, National Marketing and Promotions Fee, Initial Training Program Fee, Start-Up Advertising and Promotion Fee or rent or security deposits. Written substantiation for the financial performance representation will be made available for inspection by you at our headquarters in Sugar Grove, Illinois, upon reasonable request.

Year	Gross Revenue	Net Revenue
2007	\$272,307.01	\$144,313.66

NOTE: The Gross Revenue information shows the aggregate revenues derived from the sale of the Services and Products. The Net Revenue information shows the aggregate revenues derived from the sale of the Services and Products, less all expenses, salaries, owner’s equity and other operating costs.

We do not make any representations about a franchisee’s future financial performance or, except for the information appearing in the tables in this ITEM, the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing, other than for the information described in this ITEM or for information which supplements these tables with respect to performance at particular locations or under particular circumstances. If you are purchasing an existing Speed Training Business, however, we may provide you with the actual records of that Speed Training Business. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our President, Dan Beebe, at 301 Snow Street, Sugar Grove, Illinois 60554, or 1-877-827-7333, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

Systemwide Outlet Summary
For Years 2006-2008

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2006	0	1	+1
	2007	1	5	+4

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2008	5	13	+8
Company-Owned	2006	1	1	0
	2007	1	1	0
	2008	1	1	0
Total Outlets	2006	1	2	+1
	2007	2	6	+4
	2008	6	14	+8

Table No. 2

Transfers of Franchised Outlets
For Years 2006-2008

State	Year	Number of Transfers
All States	2006	0
	2007	0
	2008	0
Totals	2006	0
	2007	0
	2008	0

Table No. 3

Status of Franchised Outlets
For Years 2006-2008

State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	2	0	0	0	0	2
Illinois	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	2	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Maryland	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
Ohio	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
Texas	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
	2008	1	0	0	0	0	0	1
Virginia	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	1	0	0	0	0	1
Wisconsin	2006	0	1	0	0	0	0	1
	2007	1	3	0	0	0	0	4
	2008	4	1	0	0	0	0	5
Total Outlets	2006	0	1	0	0	0	0	1
	2007	1	4	0	0	0	0	5
	2008	5	8	0	0	0	0	13

Table No. 4

Status of Company-Owned Outlets
For Years 2006-2008

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2006	1	0	0	0	0	1
	2007	1	0	0	0	0	1
	2008	1	0	0	0	0	1
Total Outlets	2006	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2007	1	0	0	0	0	1
	2008	1	0	0	0	0	1

Table No. 5

Projected Openings as of
December 31, 2008 for 2009

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	0	1	0
California	0	2	0
Illinois	0	2	0
Indiana	0	2	0
Michigan	0	2	0
New Jersey	0	1	0
Texas	0	2	0
Utah	0	1	0
Virginia	0	1	0
Wisconsin	0	2	0
Totals	0	16	0

The names, addresses and telephone numbers of all current franchisees are listed in **Exhibit C**. We have no franchisee who has had an outlet terminated, canceled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during any year, including the year ended December 31, 2008 or who has not communicated with franchisor within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your personal contact information may be disclosed to other buyers when you leave the system. No franchisee or former franchisee has signed a confidentiality agreement with us.

**ITEM 21
FINANCIAL STATEMENTS**

Attached to the Disclosure Document as **Exhibit A** are our unaudited financial statements for the period January through April 2009 and our audited financial statements as of December 31, 2006, December 31, 2007, and December 31, 2008 with the independent auditor's report attached.

**ITEM 22
CONTRACTS**

Attached are the following agreements proposed for use in connection with our offering of franchises:

Exhibit:

- B. Franchise Agreement
- E. State-Specific Addenda
- G. Non-Disclosure and Non-Competition Agreement

**ITEM 23
RECEIPT**

THE LAST TWO PAGES OF THE DISCLOSURE DOCUMENT (FOLLOWING THE EXHIBITS AND ATTACHMENTS) ARE RECEIPT PAGES ACKNOWLEDGING YOUR RECEIPT OF THE DISCLOSURE DOCUMENT. ONE COPY IS FOR YOUR RECORDS, AND ONE COPY MUST BE SIGNED AND DATED BY YOU AND RETURNED TO US.



EXHIBIT A

HOUSE OF SPEED FRANCHISING, LLC

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

House of Speed Franchising, LLC
Profit & Loss
January through April 2009

	<u>Jan - Apr 09</u>
Ordinary Income/Expense	
Income	
5600 · Equipment Income	60,000.00
5700 · Marketing Income	187,861.58
5900 · Miscellaneous Income	1,350.00
5905 · Franchise Income	90,000.00
5910 · Royalty Income	7,065.60
5920 · Training - Franchisees	61,000.00
Total Income	407,277.18
Cost of Goods Sold	
6200 · Training CoGS	
6210 · Trainers	3,225.00
6200 · Training CoGS - Other	6,595.83
Total 6200 · Training CoGS	9,820.83
6500 · Clothing CoGS	7,215.39
6600 · Equipment CoGs	15,027.05
6700 · Marketing CoGs	112,188.07
6800 · Shipping CoGs	5,204.63
Total COGS	149,455.97
Gross Profit	257,821.21
Expense	
6560 · Payroll Expenses	26,742.08
66900 · Reconciliation Discrepancies	11.63
7150 · Taxes	68.85
7300 · Interest	
7305 · Line of Credit	989.53
7310 · Term Loan	1,925.51
7320 · Credit Cards	748.88
Total 7300 · Interest	3,663.92
7350 · Bank Charges	620.32
7400 · Professional Fees	
7405 · Legal	13,270.26
7415 · Payroll Processing	370.81
7420 · Marketing	21,370.83
7430 · Operations	19,266.66
7435 · Sales	87,000.00
Total 7400 · Professional Fees	141,278.56
7550 · Telephone	3,744.26
7600 · Office Supplies and Expense	
7605 · Postage and Delivery	2,551.33
7610 · Supplies	888.45
7615 · Expense	94.61
7600 · Office Supplies and Expense - Other	1,348.49
Total 7600 · Office Supplies and Expense	4,882.88

House of Speed Franchising, LLC
Profit & Loss
January through April 2009

	<u>Jan - Apr 09</u>
7700 · Advertising and Promotion	
7710 · Website	32,343.47
7730 · Entertainment	2,173.01
7700 · Advertising and Promotion - Other	<u>1,751.32</u>
Total 7700 · Advertising and Promotion	<u>36,267.80</u>
7800 · Travel	
7805 · Lodging	4,239.38
7810 · Air	5,767.81
7815 · Meals	650.58
7820 · Car Rental	1,237.79
7825 · Incidentals	1,374.92
7800 · Travel - Other	<u>382.83</u>
Total 7800 · Travel	<u>13,653.31</u>
7850 · Franchise Fees	1,900.00
7900 · Vehicle Expense	
7905 · Gasoline	481.08
7920 · Tolls and Parking	<u>198.00</u>
Total 7900 · Vehicle Expense	<u>679.08</u>
7950 · Other Expenses	<u>4,080.98</u>
Total Expense	<u>237,593.67</u>
Net Ordinary Income	20,227.54
Other Income/Expense	
Other Income	
8100 · Other Income	<u>1,788.00</u>
Total Other Income	1,788.00
Other Expense	
9000 · Income Taxes	
9005 · Federal Income Taxes	283.05
9010 · State Income Taxes	<u>1,602.00</u>
Total 9000 · Income Taxes	<u>1,885.05</u>
Total Other Expense	<u>1,885.05</u>
Net Other Income	<u>-97.05</u>
Net Income	<u><u>20,130.49</u></u>

House of Speed Franchising, LLC
Balance Sheet
January through April 2009

	<u>Apr 30, 09</u>
ASSETS	
Current Assets	
Checking/Savings	
1030 · Chase - House Account	25,218.48
1035 · Chase - Franchise Account	27,355.04
Total Checking/Savings	<u>52,573.52</u>
Accounts Receivable	
1200 · Accounts Receivable	87,767.17
Total Accounts Receivable	<u>87,767.17</u>
Other Current Assets	
12000 · *Undeposited Funds	955.57
1600 · Due from HOS Branding LLC	1,316.40
1700 · Prepaid expenses	
3425 · Sales	54,931.00
3430 · Print	16,317.77
3435 · Internet	-211.20
Total 1700 · Prepaid expenses	<u>71,037.57</u>
Total Other Current Assets	<u>73,309.54</u>
Total Current Assets	<u>213,650.23</u>
Fixed Assets	
2200 · Equipment	3,214.74
2210 · Accum/Deprec. Equipment	-820.51
2240 · Video Production	15,000.00
2250 · Accum/Deprec. Video Production	-4,500.00
Total Fixed Assets	<u>12,894.23</u>
Other Assets	
2310 · Franchise Costs - Initial	50,985.63
2320 · Accum/Amort. Franchise Costs	-6,581.92
2350 · Deferred Expense - Website	55,434.43
Total Other Assets	<u>99,838.14</u>
TOTAL ASSETS	<u><u>326,382.60</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
3000 · Accounts Payable	21,141.00
Total Accounts Payable	<u>21,141.00</u>
Credit Cards	
1055 · Chase Credit Card (David)	7,629.11

House of Speed Franchising, LLC
Balance Sheet
January through April 2009

1060 · Chase Credit Card (Dan)	16,444.81
Total Credit Cards	<u>24,073.92</u>
Other Current Liabilities	
1040 · Chase - Loan	80,652.27
1045 · Chase - Line of Credit	170,982.32
3300 · Payroll Liabilities	1,540.59
3360 · Accrued Federal Unemployment	50.00
3370 · Accrued State Unemployment	76.50
3380 · Accrued Expenses	13,245.40
3390 · Sales Tax Payable	-514.54
3400 · Deferred Revenue	
3405 · Franchise Income	150,000.00
3410 · Equipment	35,922.50
3415 · Training	10,000.00
3420 · Advertising	118,826.37
Total 3400 · Deferred Revenue	<u>314,748.87</u>
Total Other Current Liabilities	<u>580,781.41</u>
Total Current Liabilities	<u>625,996.33</u>
Total Liabilities	625,996.33
Equity	
4200 · Retained Earnings	-140,426.72
4400 · Member Capital Account Balance	-121,817.50
4600 · Member Distributions	-57,500.00
Net Income	20,130.49
Total Equity	<u>-299,613.73</u>
TOTAL LIABILITIES & EQUITY	<u><u>326,382.60</u></u>

HOUSE OF SPEED FRANCHISING, LLC

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

Outdoor Living Brands, Inc. and Subsidiaries

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SKROBACZ & COMPANY CERTIFIED PUBLIC ACCOUNTANTS, P.C.

3635 GENESEE STREET • CHEEKTOWAGA, NEW YORK 14225 • (716) 633-2117 • FAX: (716) 633-9967 • info@skrobacz.com

Joseph L. Skrobacz, CPA
Robert D. Yalowich, CPA
Sherry A. Mueller, CPA

INDEPENDENT AUDITORS' REPORT

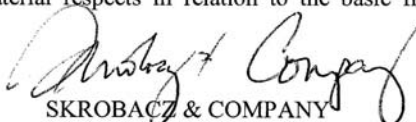
To the Member of
House of Speed Franchising, LLC
Centennial, Colorado

We have audited the accompanying balance sheets of House of Speed Franchising, LLC (The "Company," a Colorado limited liability company) as of December 31, 2008 and 2007, and the related statements of operations and changes in member's deficits, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the 2008 and 2007 financial statements referred to above present fairly, in all material respects, the financial position of House of Speed Franchising, LLC as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2008 and 2007 Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


SKROBACZ & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

Buffalo, New York
March 11, 2009

HOUSE OF SPEED FRANCHISING, LLC
Balance Sheets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 5,138	\$ 1,422
Accounts receivable	6,275	343
Prepaid expenses	13,555	-
Notes receivable - related parties	<u>1,316</u>	<u>34,612</u>
Total Current Assets	<u>26,284</u>	<u>36,377</u>
Property and Equipment		
Equipment	3,215	1,988
Less: accumulated depreciation	<u>(821)</u>	<u>(364)</u>
Total Property and Equipment	<u>2,394</u>	<u>1,624</u>
Other Assets		
Video production costs, net of amortization of \$4,500 and \$1,500	10,500	13,500
Website expenses, net of amortization of \$1,555 and \$5,418	54,434	9,918
Franchise organizational costs, net of amortization of \$6,582 and \$3,183	<u>44,404</u>	<u>47,803</u>
Total Other Assets	<u>109,338</u>	<u>71,221</u>
Total Assets	<u>\$ 138,016</u>	<u>\$ 109,222</u>

See accompanying notes and independent auditors' report

HOUSE OF SPEED FRANCHISING, LLC
Balance Sheets
December 31, 2008 and 2007

Liabilities and Member's Deficit

	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts payable	\$ 6,091	\$ 4,509
Accrued expenses	22,162	6,891
Note payable - bank	31,800	59,918
Current portion of long-term debt	18,359	20,522
Deferred revenue - franchise sales (net of related deferred costs of \$54,931 and \$0 at December 31, 2008 and 2007, respectively)	256,476	124,625
Total Current Liabilities	334,888	216,465
Long-Term Debt, Less Current Portion	68,265	14,574
Total Liabilities	403,153	231,039
Member's Deficit	(265,137)	(121,817)
Total Liabilities and Member's Deficit	\$ 138,016	\$ 109,222

See accompanying notes and independent auditors' report

HOUSE OF SPEED FRANCHISING, LLC
Statements of Operations and Changes in Member's Deficit
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues	\$ 439,481	\$ 176,915
Cost of Revenue	<u>89,048</u>	<u>93,766</u>
Gross Profit	350,433	83,149
Operating Expenses	<u>484,650</u>	<u>196,665</u>
Operating Loss	<u>(134,217)</u>	<u>(113,516)</u>
Other Income / (Expense)		
Other income	-	798
Interest expense	(9,571)	(4,477)
Interest income	<u>468</u>	<u>4,284</u>
Total Other Income / (Expense)	<u>(9,103)</u>	<u>605</u>
Net Loss	(143,320)	(112,911)
Member's Contributions	-	4,240
Member's Deficit - Beginning of Year	<u>(121,817)</u>	<u>(13,146)</u>
Member's Deficit - End of Year	<u>\$ (265,137)</u>	<u>\$ (121,817)</u>

See accompanying notes and independent auditors' report

HOUSE OF SPEED FRANCHISING, LLC
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Provided By / (Used For):		
Operating Activities:		
Net loss	\$ (143,320)	\$ (112,911)
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	18,329	9,834
Changes in:		
Accounts receivable	(5,932)	(343)
Prepaid expenses	(13,555)	-
Deposits	-	67,759
Accounts payable	1,582	645
Accrued expenses	15,271	(457)
Deferred revenue - franchise sales	131,851	(84,875)
Total Cash Provided By (Used for) Operations	4,226	(120,348)
Investment Activities:		
Franchise organizational costs	-	(11,100)
Video production costs	-	(15,000)
Website expenses	(55,989)	-
Notes receivable - related parties	33,296	1,371
Purchase of property and equipment	(1,227)	(1,662)
Total Cash Used For Investments	(23,920)	(26,391)
Financing Activities:		
Net borrowings from (payments on) note payable - bank	(28,118)	59,705
Borrowings on long-term debt	100,000	-
Payments on long-term debt	(48,472)	(20,536)
Member contribution	-	4,240
Net Cash Provided from Financing Activities	23,410	43,409

See accompanying notes and independent auditors' report

HOUSE OF SPEED FRANCHISING, LLC
Statements of Cash Flows (continued)
For the Years Ended December 31, 2008 and 2007

Increase (Decrease) in Cash	3,716	(103,330)
Cash - Beginning of Year	<u>1,422</u>	<u>104,752</u>
Cash - End of Year	<u>\$ 5,138</u>	<u>\$ 1,422</u>
 Supplementary Disclosure of Cash Flow Information		
Cash paid for:		
Interest	<u>\$ 9,571</u>	<u>\$ 4,333</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report

HOUSE OF SPEED FRANCHISING, LLC
Notes to the Financial Statements
December 31, 2008 and 2007

1. DESCRIPTION OF BUSINESS

House of Speed Franchising LLC (“the Company”) was formed on May 24, 2006 as a Colorado limited liability company and is offering franchises for use of their rights to “HOUSE OF SPEED” trademarks, trade names, service marks and logos for the operation of speed training businesses.

The Company has three affiliates (“Affiliates”). House of Speed, Inc. is an Illinois corporation formed on June 2, 1998. This Affiliate operates a business similar to the speed training businesses being offered as a franchise. House of Speed Holdings, LLC is a Colorado limited liability company formed on May 24, 2006. House of Speed Holdings, LLC is the sole member of House of Speed Franchising, LLC. House of Speed Brandings, LLC is a Colorado limited liability company formed on May 24, 2006. None of the Company’s Affiliates are engaged in selling Speed Training Businesses and none sell franchises in any other line of business. The Company and all of its Affiliates share a principal business address.

At this time the Company does not offer franchises in any other line of business, and the Company does not have any predecessors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Company reports its balance sheet and profits and losses for financial reporting using the accrual method of accounting.

Accounts Receivable

Accounts receivable consist of receipts from product sales and royalties due to the Company from its franchisees. The receivables are stated in the balance sheet at their estimated realizable value. The Company accounts for bad debts using the direct charge-off method, directly expensing receivables for which management deems uncollectible, or realizable at less than full value. The direct charge-off method provides results similar to the reserve method in all material respects. As part of the franchise agreement, the owner(s) of each franchise, whether as an individual, as shareholders or as partners, has guaranteed the receivables. Based on management’s assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

See independent auditors’ report

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Franchise Fees

Revenue from franchise sales is recognized when all material services and conditions required to be performed by the Company within the franchise agreement have been substantially completed. Franchise fees collected by the Company before all material services and conditions are substantially performed are recorded as deferred franchise sales revenue. Franchise fees recognized during the years ended December 31, 2008 and 2007 amounted to \$180,000 and \$30,000, respectively. Deferred franchise sales revenue, net of related deferred costs of \$54,931, was \$259,818 as of December 31, 2008. Deferred franchise sales revenue, net of \$0 related deferred costs, was \$124,625 as of December 31, 2007.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the related assets (generally three to seven years). Depreciation expense for the years ended December 31, 2008 and 2007 was \$457 and \$342, respectively.

Video Production Costs

Video production costs have been capitalized and are being amortized over a five-year period, the estimated useful life of the production. Amortization expense related to video productions costs for the years ended December 31, 2008 and 2007 was \$3,000 and \$1,500, respectively.

Website Expenses

Website expenses have been capitalized and are being amortized over a three-year period, the estimated useful life of the website. In December 2008 the company ceased operation of their old website and placed a new website in service. Accordingly the remaining prior website costs of 9,918 were amortized during the year ended December 31, 2008. Amortization expense for the year ended December 31, 2008 related to the new website amounted to \$1,555. Total amortization expense related to the website for the years ended December 31, 2008 and 2007 was \$11,473 and \$5,086, respectively.

Guaranteed Payments

Payments made to members of the Company's sole member (House of Speed Holdings, LLC) have been deemed to be guaranteed payments made to them by House of Speed Franchising, LLC. The guaranteed payments are compensation for services rendered and recorded as Company expenses under the salaries and compensation expense.

Advertising

Advertising costs, which are included in operating expenses, are expensed as incurred. Advertising expense was \$40,681 and \$12,985 for the years ended December 31, 2008 and 2007.

See independent auditors' report

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Income Taxes

Federal and State income taxes are not payable by the Company. The Member is taxed individually on its proportionate share of limited liability company earnings. Accordingly, no provision for income taxes has been recorded.

Basis of Presentation and Estimates

Preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk include cash on deposit with a financial institution, which is insured for up to \$250,000 (\$100,000 prior to October 3, 2008) by the U.S. Federal Deposit Insurance Corporation. At various times during 2008 and 2007 the Company's balance in its bank accounts exceeded the federally insured limit.

4. RELATED PARTIES

During 2008 the Company's sole member obtained bank financing in the form of a term note and line of credit with JP Morgan Chase Bank, NA. The Company's sole member has provided all funding from the term note to the Company and has also made the entire line of credit available to the Company. The Company has agreed to fulfill all obligations under the financing terms of the agreement as if the Company were the primary obligor. The terms of the financing are disclosed for the line of credit and term note under note 8 and note 9, respectively. All funds advanced on the line have been used solely by the Company. The term note and line of credit are secured with all of the business assets, inventory, equipment, accounts, general intangibles, chattel paper, documents, instruments and letter of credit rights, of the Company, the Company's sole member and two affiliated companies. The note is guaranteed by the Company, the members of the Company's sole member and an affiliate.

The Company has advanced funds to an affiliate as indicated in Note 6.

The Company had notes receivable from two members of its sole member as indicated in Note 6.

The members of the Company's sole member and an affiliate of the Company had guaranteed all of the Company's bank debt that was in place as of December 31,

See independent auditors' report

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2007. The related line of credit (see note 8) and long-term debt (See note 9) were paid off during 2008.

5. DEPOSITS

During the year ended December 31, 2006 the company had made cash deposits for the purchase of inventory to be used for operation of the franchised businesses. During the year ended December 31, 2007 the inventory was received and then sold to the Company's franchisees.

6. NOTES RECEIVABLE – RELATED PARTIES

Notes receivable from related parties as of December 31, 2008 represent an advance of funds to an affiliate (see Note 6). The note is due on demand and does not currently bear interest.

As of December 31, 2007, the company had notes receivable from related parties from two members of the Company's sole member. The notes were dated December 31, 2007 and were bearing interest at 6.5%. The notes matured at June 30, 2008, at which time the unpaid principal balance and all accrued interest was paid. The interest income recorded from this receivable was \$466 and \$2,339 for the years ended December 31, 2008 and 2007, respectively.

7. INTANGIBLE ASSETS

Intangible assets consist principally of the excess of cost over the fair value of net assets acquired (or goodwill), intellectual property and other intangible assets. The Company has recorded an intangible asset for the cost of establishing its unique franchise agreement.

The Company has adopted Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Other Intangible Assets. SFAS 142 requires that goodwill and intangible assets with indefinite lives (such as intellectual property) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives (such as franchise agreements) are amortized over their estimated useful lives.

The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Franchise agreements are amortized over the period of time the agreements are expected to remain in place, assuming renewals without material modifications to the original terms and conditions (generally 10 years from the date of the agreement). Intangible assets with finite lives are reviewed for impairment of events or changes in circumstances indicate that the carrying amount might not be recoverable. After estimating the value of the intangible assets at December 31, 2008 and 2007, using standard valuation techniques and comparing that value to the carrying cost, the company

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recognized no loss on intangible asset impairment for the years ended December 31, 2008 and 2007. Amortization expense for the franchise organizational costs were \$3,399 and \$2,906 for the years ended December 31, 2008 and 2007.

8. NOTE PAYABLE - BANK

The note payable to a bank represents borrowings on a line of credit with JP Morgan Chase Bank. The line of credit agreement is dated March 2008 and provides for borrowings up to \$200,000 as of December 31, 2008. The balance on the line is due on demand and interest on outstanding borrowings is charged at the bank's prime rate minus 0.350%. As discussed in Note 4, the Company's sole member has provided this financing to the Company and the line is secured and guaranteed by the Company and by related parties. The interest rate was 2.90% and the outstanding balance on the line was \$31,800 as of December 31, 2008.

The Company previously had available a line of credit with National City Bank for \$60,000 as of December 31, 2007. This line was paid off during 2008. The line was secured with all inventory, chattel paper, accounts, equipment and general intangibles of the Company and was guaranteed by a member of the Company's sole member and an affiliate (See Note 4). The balance on the line was due on demand and interest on outstanding borrowings was charged at the bank's prime rate plus .50%. The interest rate was 8.00% and the outstanding balance on the line was \$59,918 as of December 31, 2007.

9. LONG-TERM DEBT

The long-term debt is summarized as follows:

The bank term note to National City Bank was dated August 2006; with interest at 8% and monthly payments of principal and interest of \$1,883 for 37 months, scheduled to mature in August 2009. The note was paid off during 2008. The note was secured and guaranteed in the same manner as the prior line of credit indicated in Note 8.

\$	-	\$ 35,096
----	---	-----------

The bank term note to JP Morgan Chase Bank is dated March 2008 and payable in monthly installments of \$1,974 including interest at 6.75% through March 2013. As discussed in Note 4 the Company's sole member has provided this financing to the Company. The note is secured and guaranteed by the Company and by related parties as discussed in Note 4.

Less: current portion	86,624	-
	18,359	20,522
Total Long-Term Debt	\$ 68,265	\$ 14,574

See independent auditors' report

The future maturities of long-term debt are as follows:

<u>Year ending December 31,</u>	
2009	\$ 18,359
2010	19,637
2011	21,004
2012	22,467
2013	5,157
	<hr/>
	\$ 86,624

See independent auditors' report
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SUPPLEMENTARY INFORMATION

HOUSE OF SPEED FRANCHISING, LLC
Schedules of Operating Expenses
For the Years Ended December 31, 2008 and 2007

Salaries and compensation	\$ 158,281	\$ 95,000
Payroll taxes	2,264	850
Office expenses and bank charges	19,097	4,483
Truck and auto expenses	406	780
Depreciation	457	342
Amortization	17,872	9,492
Utilities and telephone	3,517	2,938
Legal, professional and other fees	36,111	9,725
Outside Services	95,318	34,335
Meals and entertainment	2,454	2,608
Marketing	46,240	14,038
Sales commissions	42,569	-
Advertising	40,681	12,985
Travel	11,821	6,574
Licenses and fees	7,562	2,515
	<u>\$ 484,650</u>	<u>\$ 196,665</u>

See accompanying notes and independent auditors' report

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HOUSE OF SPEED FRANCHISING, LLC

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

As of DECEMBER 31, 2006

**HOUSE OF SPEED FRANCHISING, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Members
HOUSE OF SPEED FRANCHISING, LLC
Centennial, Colorado

We have audited the accompanying balance sheet of HOUSE OF SPEED FRANCHISING, LLC (the "Company," a Colorado limited liability company) as of December 31, 2006 and the related statements of operations, retained earnings, and cash flows for the period from May 24, 2006 (inception) to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. As more fully described in Note B, the financial statements do not include the accounts of the affiliates, of which the Company has determined are variable interest entities. In our opinion, the Company's financial statements should include the accounts of the affiliates to conform to accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of not including the accounts of the Company's two affiliates in the accompanying financial statements as explained in the preceding paragraph, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of HOUSE OF SPEED FRANCHISING, LLC as of December 31, 2006 and the results of its operations and its cash flows for the period from May 24, 2006 (inception) to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.



Denver, Colorado
March 21, 2007

HOUSE OF SPEED FRANCHISING, LLC
BALANCE SHEET

	DECEMBER 31, 2006
ASSETS:	
CURRENT ASSETS	
<i>Cash</i>	\$ 104,752
<i>Deposits</i>	67,759
<i>Note receivable</i>	35,983
TOTAL CURRENT ASSETS	208,494
PROPERTY AND EQUIPMENT	
<i>Equipment</i>	326
<i>Less: accumulated depreciation</i>	(22)
	304
OTHER ASSETS	
<i>Franchise organizational costs</i>	54,890
<i>Less: accumulated amortization</i>	(278)
	54,612
TOTAL ASSETS	\$ 263,410
LIABILITIES AND MEMBERS' CAPITAL:	
CURRENT LIABILITIES	
<i>Accounts payable</i>	\$ 3,864
<i>Other payables</i>	7,560
<i>Bank term loan</i>	20,471
<i>Deferred revenue - franchise sales</i>	209,500
TOTAL CURRENT LIABILITIES	241,395
LONG TERM LIABILITIES	
<i>Bank term loan</i>	35,161
TOTAL LIABILITIES	276,556
MEMBERS' CAPITAL	
<i>Members' capital</i>	(13,146)
TOTAL LIABILITIES & MEMBERS' CAPITAL	\$ 263,410

The accompanying notes are an integral part of these financial statements.

HOUSE OF SPEED FRANCHISING, LLC
STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' CAPITAL

	<u>FOR THE PERIOD</u> <u>MAY 24, 2006 TO</u> <u>DECEMBER 31, 2006</u>
REVENUES	\$ 43,416
OPERATING EXPENSES	<u>58,719</u>
OPERATING INCOME (LOSS)	(15,303)
OTHER INCOME	
<i>Interest income</i>	<u>917</u>
NET INCOME (LOSS)	(14,386)
MEMBERS' CONTRIBUTIONS	54,240
MEMBERS' DISTRIBUTIONS	(53,000)
MEMBERS' CAPITAL, beginning	<u>-</u>
MEMBERS' CAPITAL, ending	<u>\$ (13,146)</u>

The accompanying notes are an integral part of these financial statements.

HOUSE OF SPEED FRANCHISING, LLC

Notes to Financial Statements

NOTE A – DESCRIPTION OF BUSINESS

House of Speed Franchising LLC (“the Company”) was formed on May 24, 2006 as a Colorado limited liability company and is offering franchises for use of their rights to “HOUSE OF SPEED” trademarks, trade names, service marks and logos for the operation of Speed Training Businesses.

The Company has three affiliates (“Affiliates”). House of Speed, Inc. is an Illinois corporation formed on June 2, 1998. This Affiliate operates a business similar to the Speed Training Business being offered as a franchise. House of Speed Holdings, LLC is a Colorado limited liability company formed on May 24, 2006. House of Speed Brandings, LLC is a Colorado limited liability company formed on May 24, 2006. None of the Company’s Affiliates are engaged in selling Speed Training Businesses and none sell franchises in any other line of business. The Company and all of its Affiliates share a principal business address.

At this time the Company does not offer franchises in any other line of business, and the Company does not have any predecessors.

NOTE B – VARIABLE INTEREST ENTITIES

The accompanying financial statements and substantially all of the related disclosures do not include the accounts of the Affiliates, two of which are limited liability companies wholly-owned by the members of the Company. The Company has determined that these Affiliates are variable interest entities as defined by Financial Accounting Standards Board Interpretation No. 46 (revised), “Consolidation of Variable Interest Entities,” since the Members are deemed to have a variable interest and are the primary beneficiaries entitled to receive the residual returns of the Affiliates.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The Company reports its balance sheet and profits and losses for financial reporting using the accrual method of accounting.

Cash Equivalents – Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less.

Initial Franchise Fees – Revenue from initial franchise sales will be recognized when all material services and conditions required to be performed by the Company within the franchise agreement have been substantially completed. Initial franchise fees collected by the Company before all material services and conditions are substantially performed will be recorded as deferred franchise sales revenue.

Property, Plant & Equipment – Property and equipment are recorded at cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the related assets (generally three to seven years).

HOUSE OF SPEED FRANCHISING, LLC

Notes to Financial Statements

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Presentation and Estimates – Preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Company has elected to be treated as an S-Corp for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal income taxes has been recorded on the accompanying balance sheet. Under current state income tax laws, the federal law regarding the tax treatment of a partnership is extended to the state, and therefore no provision or liability for state income taxes has been included in the financial statements related to the Company's taxable income.

NOTE D – DEPOSITS

The Company has made cash deposits for the purchase of inventory to be used for operation of the franchised businesses.

NOTE E – NOTES RECEIVABLE

Note receivable at December 31, 2006:

	<u>2006</u>
Current portion:	
Due from member	<u>\$ 35,983</u>
Total	<u>\$ 35,983</u>

Due from member represents an interest bearing note from one of the Company's members dated December 31, 2006; interest at 6.5%; maturing June 30, 2007, at which time the unpaid principal balance and all accrued and unpaid interest shall become immediately due and payable.

NOTE F – INTANGIBLE ASSETS

Intangible assets can consist principally of the excess of cost over the fair value of net assets acquired (or goodwill), intellectual property and other intangible assets. The Company has established an intangible asset for the cost of establishing its unique franchise agreement.



EXHIBIT B

HOUSE OF SPEED FRANCHISING, LLC

FRANCHISE AGREEMENT

EXHIBIT B
HOUSE OF SPEED FRANCHISING, LLC
FRANCHISE AGREEMENT

Franchise #: _____

Franchisee: _____

Date: _____

Territory: _____

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made this ____ day of _____ 2009, by and between **HOUSE OF SPEED FRANCHISING, LLC**, an Colorado limited liability company, located at 301 Snow Street, Sugar Grove, Illinois 60554 (“**Franchisor**”) and _____, located at _____ (“**Franchisee**”).

RECITALS

WHEREAS, Franchisor has developed a comprehensive system for the operation of a business offering speed and agility training for athletes of all ages and skill levels, and products related to such training (“**Speed Training Business**”).

WHEREAS, the Speed Training Businesses are operated under a business format per a unique system with high standards of service, including valuable know-how, information, Trade Secrets, Confidential Information, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development (“**System**”).

WHEREAS, the distinguishing characteristics of the System include the trademark “**House of Speed®**” and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by Franchisor from time to time. They are Franchisor’s Confidential Information and Trade Secrets and are designated by and identified with the Marks described in this Agreement.

WHEREAS, Franchisor continues to use, develop and control the use of the Marks in order to identify for the public the source of services and products marketed under the System, and which represent the System’s high standards of quality, service and customer satisfaction.

WHEREAS, Franchisee acknowledges the benefits to be derived from being identified with the System, and also recognizes the value of the Marks and the continued uniformity of image to Franchisee, Franchisor, and other franchisees of Franchisor.

WHEREAS, Franchisee acknowledges the importance to the System of Franchisor’s high and uniform standards of quality, service and customer satisfaction, and further recognizes the necessity of opening and operating a Speed Training Business in conformity with the System.

WHEREAS, Franchisee recognizes that in order to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on Franchisee, including strict adherence to Franchisor’s reasonable present and future requirements regarding the types of products sold, services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

WHEREAS, Franchisee is aware of the foregoing and is desirous of obtaining the right to use the System and in association therewith, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a Business pursuant to the provisions and within the Territory specified in this Agreement, subject to the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

DEFINITIONS

For the purposes of this Agreement, the following are hereby defined:

(a) **“Agreement”** – means this agreement, attachments, and all instruments in amendment hereof.

(b) **“Affiliate”** – means any person or entity that controls, is controlled by, or is in common control with, Franchisor.

(c) **“Branded Facility”** – means an exclusive, designated training facility meeting Franchisor’s requirements as set out in the Operations Manual, from which the Speed Training Business is operated

(d) **“Business”** or **“Speed Training Business”** – means the business operations conducted or to be conducted by Franchisee consisting of a business offering speed and agility training for athletes of ages eight and up with all skill levels, and products related to such training, using Franchisor’s System and in association with the Marks.

(e) **“Confidential Information”** – means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee’s Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which Franchisor designates as confidential.

(f) **“Controlling Principal”** – means and includes, collectively and individually, any Franchisee’s Principals who has been designated by Franchisor as a Controlling Principal.

(g) **“Franchisor’s System”** or **“System”** – means the standards, systems, concepts, identifications, methods, and procedures developed or used by Franchisor, or which may hereafter be developed or used by Franchisor, for the sales and marketing of Franchisor’s Services and Products.

(h) **“Franchise”** – shall mean the business operations conducted or to be conducted using Franchisor’s System and in association therewith the Marks.

(i) **“Gross Revenues”** – means the total of all receipts derived from all sales of products and services at your Speed Training Business, labor, insurance claims for lost profits to the extent a claim is paid by the insurer, and all other products and services sold or performed by or for you or your Speed Training Business or by means of the business conducted under this Agreement, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Gross Revenues do not include:

(i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any such tax is shown separately and in fact paid by Franchisee to the appropriate governmental authority; and

(ii) all customer refunds, valid discounts and coupons, and credits made by the Speed Training Business (exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Gross Revenues shall be deemed received by Franchisee at the time the Services or Products from which they were derived, are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer’s personal check) actually has been received by Franchisee. Gross Revenues consisting of property or services shall be valued at the retail prices applicable and in effect at the time that they are received.

(j) **“Lease”** – means any agreement (whether oral or written) under which the right to occupy a Branded Facility or a Shared Facility has been obtained, and any amendment made thereto from time to time, including without limitation, any offer to lease, license or lease agreement.

(k) **“Manual”** or **“Operations Manual”** – means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of Franchisor for use by the franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Business or the operation of franchises, as same may be added to, deleted or otherwise amended by Franchisor from time to time.

(l) **“Marks”** – means the trademark “House of Speed®” to the extent of Franchisor’s rights to same, together with such other trade names, service marks, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by Franchisor from time to time as part of the System for use by Franchisees, and not thereafter withdrawn.

(m) **“Principals”** – means and includes, collectively and individually, Franchisee’s spouse, if Franchisee is an individual; all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals; all holders of an ownership interest in Franchisee and in any entity directly or indirectly controlling Franchisee; and any other person or entity that controls, is controlled by, or is under common control with Franchisee. The initial Franchisee’s Principals are listed on **Attachment C**.

(n) **“Products”** – means all supplies, retail products, material and equipment sold, prepared or otherwise dealt with in connection with the Business and associated with the Marks.

(o) **“Shared Facility”** – means a facility shared with another organization such as a school gym, field, or private gym that is not exclusively dedicated to operating a Speed Training Business.

(p) **“Services”** – means the provision of speed and agility training and other training and services provided or otherwise dealt with in connection with the Business and associated with the Marks.

(q) **“Trade Secret(s)”** – means information, including a formula, pattern, compilation, program, device, method, technique or process related to the System that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE

Franchisee covenants, represents and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations and warranties in making its decision to enter into this Agreement.

1.1 Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, and all related agreements with Franchisor. Franchisee acknowledges that Franchisor has advised him to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Business, Franchisor and this Agreement.

1.2 Franchisee has, or has made firm arrangements to acquire funds to commence, open and operate the Business and it is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

1.3 All statements made by Franchisee in writing in connection with its application for this franchise were, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement.

1.4 There are no material financial obligations of Franchisee whether actual or contingent which are outstanding as of the date of this Agreement other than those disclosed to Franchisor by Franchisee in writing.

1.5 Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority which would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

1.6 Franchisee is not a party to any litigation or legal proceedings other than those which have been disclosed to Franchisor by Franchisee in writing.

1.7 Franchisee represents that it is not a party to or subject to agreements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements during the Term or any Successor Term.

1.8 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral thereto, made by Franchisor, its officers, directors, agents, employees or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to Franchisor in Franchisee's application for a Franchise.

1.9 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti Terrorism Laws (as defined below). In connection with such compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti Terrorism Laws.

(a) Franchisee and its owners certify that none of them, their respective employees, or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (which can be accessed at <http://www.treasury.gov/offices/enforcement/ofac/legal/eo/13224.pdf>). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

(b) Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

(c) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 1.9.

(d) Any misrepresentation under this Section or any violation of the Anti Terrorism Laws by Franchisee, its owners, agents, its employees shall constitute grounds

for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of Franchisor's affiliates.

(e) “**Anti Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

2. GRANT OF LICENSE

2.1 Subject to all the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, for the term of this Agreement the right and license (“**License**”) to:

(a) Operate a Speed Training Business, and upon the terms and conditions of this Agreement in one territory described in **Attachment A** (“**Territory**”);

(b) Use the Marks and the System; and

(c) Offer and market ONLY Franchisor's approved Services and Products, unless Franchisor approves in writing (such approval to be in Franchisor's sole and absolute discretion) Franchisee's request to offer and market complementary and non competing services or products.

2.2 The License does not include the right to sell Products to any vendor who would in turn sell to consumers.

2.3 Franchisee recognizes that variations and additions to the System may be required from time to time in order to preserve and/or enhance the System. Therefore, Franchisor expressly reserves the right to add to, subtract from, revise, modify or change from time to time the System or any part thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply pursuant to Section 8.

2.4 Franchisee recognizes that the rights that are granted to Franchisee are for the specific Territory, defined in Section 4.1 below, and no other, and cannot be transferred to an alternate Territory, without the prior written approval of Franchisor, which approval may be granted or withheld in Franchisor's sole discretion.

3. TERM OF THE AGREEMENT AND LICENSE

3.1 This Agreement and the License granted shall continue for a period of seven years (“**Term**”). This initial Term shall begin on the date this Agreement is executed by Franchisor, subject, however, to termination in accordance with the provisions of this Agreement. When the initial Term expires, Franchisee shall have the option at Franchisor’s sole and absolute discretion to renew the right to operate a Speed Training Business for one additional term (“**Successor Term**”) of seven years. Franchisee must pay the Renewal Fee set forth in Section 3.4(b).

3.2 Franchisor may refuse to renew the right to operate a Speed Training Business if Franchisee has:

- (a) Failed to remedy any breach of this Agreement specified by Franchisor in a written notice to Franchisee as per Sections 18.1 or 18.2;
- (b) Committed and received notice of two or more breaches of this Agreement in the 24 months prior to the end of the Term, even if such breaches were timely remedied;
- (c) Failed to meet the Minimum Annual Sales Quota set out in Section 4.6 for any year during the Term;
- (d) Franchisee has not given Franchisor a written notice of intent to renew no less than 6 months or more than 9 months prior to expiration of the Term; or
- (e) Franchisee is not current in payment obligations to Franchisor or to Franchisee’s trade creditors.

3.3 If Franchisor opts to renew the right to operate a Speed Training Business at the end of the Term, Franchisee shall execute a new Franchise Agreement and all other agreements in the form then being used by Franchisor in granting new franchises and pay the Renewal Fee set forth in Section 3.4(b). Franchisor reserves the right to change any term(s) of the Franchise Agreement form to be signed by Franchisee on renewal of the right to operate a Speed Training Business (except as specified below). There shall not, however, be another Initial Franchise Fee charged in the renewal of the right to operate a Speed Training Business. IN FRANCHISOR’S SOLE DETERMINATION, FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO RENEW THE RIGHT TO OPERATE A SPEED TRAINING BUSINESS (AND ITS OPTION SHALL THEREUPON TERMINATE) IF IT FAILS TO EXECUTE AND RETURN TO FRANCHISOR THE NEW FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY FRANCHISOR WITHIN 30 DAYS AFTER THEIR DELIVERY TO FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 3.

3.4 As additional conditions to renewing the right to operate a Speed Training Business, Franchisee may be required to:

- (a) Execute a general release of all claims Franchisee may have against Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and

employees, whether in their corporate and/or individual capacities. This release shall include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor;

(b) Pay the renewal fee of 10% of the then current Initial Franchise Fee (“**Renewal Fee**”), which is due and payable to Franchisor at the time of signing the renewal Franchise Agreement;

(c) Agree to give Franchisor not less than 6 months nor more than 9 months prior written notice of Franchisee’s election to renew (or not to renew) the right to operate a Speed Training Business. Failure to give timely notice of Franchisee’s intention to renew shall be deemed an election not to renew the right to operate a Speed Training Business;

(d) Upgrade the computer system and Branded Facility used in operations of the Business, if any, to Franchisor’s current standards;

(e) Comply with all other provisions contained in the Manual, as modified periodically by Franchisor in Franchisor’s sole discretion;

(f) Offer Franchisor’s then current guarantee, if any, to all new customers;
and

(g) Provide proof of current licenses, insurance and permits.

3.5 If Franchisee does not sign a new Franchise Agreement prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor’s rights; or (ii) continued on a month-to-month basis (“**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim 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 Interim Period.

4. TERRITORY

4.1 During the Term and for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to Franchisor’s reservation of rights as set forth in Section 4.2 and the Minimum Annual Sales Quota as provided in Section 4.6 below, neither Franchisor nor any Affiliate will establish or license another person or entity to establish a Speed Training Business using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment A**, attached hereto and incorporated herein by reference. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict Franchisor or its Affiliates and does not grant

rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Speed Training Business.

4.2 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that Franchisor and its Affiliates retain the exclusive right, among others:

(a) to use, and to license others to use, the Marks and System for the operation of Speed Training Businesses at any location other than in the Territory, regardless of proximity to the Territory;

(b) to use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including the Territory, in association with operations that are the same as, similar to or different than Speed Training Business;

(c) to use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution such as those described in 4.2(d), at any location including the Territory;

(d) to offer the Services or Products, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, wholesalers, retail outlets, gyms, schools, or other distribution outlets (other than Speed Training Businesses), or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory;

(e) to any websites utilizing a domain name incorporating one or more of the words "House" and/or "Speed" or similar derivatives thereof. Franchisor retains the sole right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. Franchisor intends that any Franchisee website be accessed only through Franchisor's home page. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. Franchisor retains the right to approve any linking or other use of its website in its discretion;

(f) to acquire businesses that are the same as or similar to the Speed Training Business and operate such businesses regardless of where such businesses are located, including inside the Territory and to be acquired by any third party which operates businesses that are the same as or similar to the Speed Training Business regardless of where such businesses are located, including inside the Territory; and

(g) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

4.3 Franchisee may be granted, at Franchisor's sole discretion, express permission to solicit customers in an unsold territory adjacent to Franchisee's Territory ("**Adjacent Territory**"); provided that Franchisee agrees that when the Adjacent Territory is granted to another franchisee by Franchisor, Franchisee will, upon receipt of written notice from Franchisor, cease all solicitation efforts within the Adjacent Territory and return all customer and prospect lists to Franchisor within 10 days of such notice. Franchisee shall report Gross Revenues from sales in an Adjacent Territory on a separate reporting form. Franchisee shall pay the Royalty Fee, National Marketing and Promotions Fee (if applicable) and Individual Advertising Expense for sales in an Adjacent Territory.

4.4 Franchisor will use commercially reasonable efforts to grant only 1 license to a franchisee to operate a Speed Training Business per 100,000 people (or incremental portion thereof) residing in a designated geographical location ("**Population Limit**"). Franchisor will use the most recent population information available in the U.S. Census Data, or other population statistical sources of Franchisor's choosing to determine populations. Franchisor reserves the right to change, modify, or delete the Population Limit in its sole discretion. Franchisee acknowledges that it has not and will not rely on this Section 4.5 for any purposes. Franchisee acknowledges and agrees that once the Territory has been established, it will not be changed regardless of any increase or decrease of the population in the Territory.

4.5 In order to maintain the Territory, Franchisee must meet the annual sales quota for each year ("**Minimum Annual Sales Quota**"). The Minimum Annual Sales Quota for the first 12 months of operating the Business is \$75,000.00 in Gross Revenues and \$150,000.00 in Gross Revenues for the 13th month of operating the Business through the remaining Term. Franchisee's failure to satisfy the Minimum Annual Sales Quota may result in the reduction or elimination of Franchisee's Territory, granting of additional franchises in the Territory or the termination of this Agreement upon 30 days written notice, in Franchisor's sole discretion.

4.6 Franchisee may request to increase the size of Franchisee's Territory ("**Additional Territory**") by purchasing an additional incremental population, which Franchisor may grant or deny in Franchisor's sole discretion. If Franchisor approves Franchisee's request for an Additional Territory, Franchisee must pay a fee of \$15,000 for an additional population of 101,000 – 200,000 people (or incremental portion thereof), and \$30,000 for an additional population of 201,000 – 300,000 people (or incremental portion thereof) ("**Additional Territory Fee**"). Franchisor will determine the population and boundaries of Franchisee's Additional Territory in the same manner and using the same information as Franchisor uses to determine Franchisee's initial Population Limit. Franchisee's Additional Territory and Additional Territory Fee, if any, will be set forth on **Attachment A**. Franchisee must pay the Additional Territory Fee at the time Franchisee signs this Agreement. The Additional Territory Fee is non-refundable once paid. If Franchisor grants an Additional Territory to Franchisee hereunder, all references to Franchisee's Territory in this Agreement shall be interpreted to include the Additional Territory.

5. FEES

5.1 Franchisee shall pay the initial franchise fee ("**Initial Franchise Fee**"), the initial training program fee ("**Initial Training Program Fee**"), the start-up advertising expense ("**Start-Up Advertising Expense**"), and the Additional Territory Fee, if any, all as set out in

Attachment A, plus, if due and payable, all applicable federal, state or municipal taxes, as a non recurring initial franchise fee to Franchisor upon the execution of this Agreement. Franchisee shall also pay the training equipment and technology fee (“**Training Equipment and Technology Fee**”) plus, if due and payable, all applicable federal, state or municipal taxes, to Franchisor no later than forty-five (45) days prior to Franchisee’s scheduled grand opening date. The Initial Franchise Fee, Initial Training Program Fee, Start-Up Advertising Expense, Training Equipment and Technology Fee, and Additional Territory Fee, if any, shall be paid by means of cashier’s check, money order or wire transfer. The Initial Franchise Fee shall be deemed to have been fully earned by Franchisor when paid. The Initial Franchise Fee, Initial Training Program Fee and Start-Up Advertising Expense are non-refundable once paid except as provided for in Section 5.2.

5.2 The Initial Franchise Fee will be non refundable unless Franchisor terminates the Agreement because Franchisee (i) failed to complete the initial training program to the satisfaction of Franchisor (to be determined in Franchisor’s sole discretion); or (ii) Franchisee failed, after diligent pursuit, to obtain the applicable permits and licenses, if any, required by the state and local government to operate in its Territory within 6 months after the mutual execution of this Agreement. Franchisor shall notify Franchisee in writing that it is exercising its right to terminate the Agreement pursuant to this Section 5.2, in which case 50% of the Initial Franchise Fee shall be refunded to Franchisee within 30 days of Franchisor’s written notice of termination to Franchisee. In the event that Franchisee is unable to obtain a business loan from _____, Franchisor shall notify Franchisee in writing that it is exercising its right to terminate the Agreement pursuant to this Section 5.2, in which case 100% of the Initial Franchise Fee shall be refunded to Franchisee within 30 days of Franchisor’s written notice of termination to Franchisee. Franchisor shall also refund the Initial Training Program Fee and Start-Up Advertising Expense, less expenses incurred by Franchisor if Franchisor agrees to terminate Franchisee’s Speed Training Business before Franchisee attends the initial training program. If Franchisor decides to terminate Franchisee’s Speed Training Business after Franchisee attends the initial training program, Franchisor shall not refund any portion of the Initial Training Program Fee to Franchisee, but Franchisor shall refund the Start-Up Advertising Expense, less expenses incurred by Franchisor. Franchisor shall notify Franchisee in writing if Franchisor elects to terminate this Franchise Agreement and shall give Franchisee a partial refund of the Initial Franchise Fee and Start-Up Advertising Expense. Franchisor shall not refund any of these fees under any other circumstances.

5.3 Franchisee shall pay to Franchisor a Royalty Fee equal to 8% to 10% of Gross Revenues. The Royalty Fee shall be amount equal to 10% of Franchisee’s Gross Revenues until such time as Franchisee’s aggregate Gross Revenues equal \$1,000,000, after which Franchisee’s Royalty Fee shall be an amount equal to 8% of Franchisee’s Gross Revenues. The Royalty Fee shall be payable to Franchisor on or before the 10th day of each month for the preceding calendar month and shall be payable through the entire Term of this Agreement. Franchisee shall pay the Royalty Fee monthly or in such other frequency as Franchisor may in its sole discretion require upon written notice to Franchisee by Franchisor. Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder. Each Royalty Fee payment will be accompanied by a report as set forth in Section 5.4(a).

(a) Each Royalty Fee payment shall be, without exception, accompanied by a statement of the previous month's Gross Revenues on a form approved and provided to Franchisee by Franchisor. **Each failure to include a fully completed statement of the previous month's Gross Revenues with the Royalty Fees payable to Franchisor when due shall constitute a material breach of this Agreement.**

(b) Franchisor reserves the right to require Franchisee to remit fees and other amounts due to Franchisor hereunder via electronic funds transfer (“EFT”) or other similar means utilizing a Franchisor approved computer system or otherwise. The EFT Authorization is attached to the Franchise Agreement as **Attachment D**. If Franchisor notifies Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute such documents, including authorization for direct debits from Franchisee's business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to Franchisor and any interest charged due thereon. Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for payment therefor. If Franchisee has not timely reported the Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account in an amount equal to (a) the fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Revenues was provided to Franchisor as required hereunder; (b) the Minimum Royalty and National Marketing Fee; or (c) the amount due based on information retrieved from Franchisor approved computer system.

5.4 Franchisee shall also pay such other fees to Franchisor, or any designated Affiliate or supplier of Franchisor, in such amounts, and at such times, as specified by Franchisor in the Operations Manual.

6. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

6.1 Franchisee shall keep such complete records of its Business as a prudent and careful businessperson would normally keep. Franchisee must use the accounting system and the pre-formatted template required by Franchisor, if any. Franchisee shall keep its financial books and records as Franchisor may from time to time direct in the Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements, journals and general ledgers. Franchisee shall advise Franchisor of the location of all original documents and shall not destroy any records without the written consent of Franchisor.

6.2 Franchisee shall prepare on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Business conducted under this Agreement. Franchisee shall maintain an accounting system which accurately reflects all operational aspects of the Business including uniform reports as may be required by Franchisor. Franchisee's records shall include tax returns, daily reports, statements of Gross Revenues (to be prepared each month for the preceding month), profit and loss statements (to be prepared at least

quarterly by an independent Certified Public Accountant), and balance sheets (to be prepared at least annually by an independent Certified Public Accountant).

6.3 Franchisee shall also submit to Franchisor current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Business. Franchisee shall submit Individual Marketing Expense statements to Franchisor once each quarter, in Franchisor's sole discretion, beginning August 1 of each year. On or before April 15 of each year, Franchisee shall provide Franchisor with a copy of its federal tax return for the previous tax year.

6.4 The records required under this Section 6 pertain only to Franchisee's operation of the Business. Franchisor has no right to inspect, audit or copy the records of any unrelated business activity Franchisee may have. Franchisee shall keep the books and records of the Business separate from the records of any unrelated business activity or personal activity.

6.5 From the date Franchisee and Franchisor sign this Agreement until 3 years after the end of the Term of this Agreement including renewal Terms, Franchisor or Franchisor's authorized agent shall have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. Franchisor agrees to do inspections and audits at reasonable times. Franchisee agrees to keep all records and reports for 6 years from the date such records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, National Marketing and Promotions Fee (as defined in Section 11.4) or other amounts required to be paid under this Agreement, Franchisee shall immediately pay the deficiency to Franchisor, without prejudice to any other remedy of Franchisor under this Agreement. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, National Marketing and Promotions Fee or other amounts due by 2% or more, Franchisee will also immediately pay to Franchisor the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. For the purposes of this Section 6.5, an audit period will be each fiscal year. Should the audit disclose an overpayment of any Royalty Fees, National Marketing and Promotions Fees, or other amounts due, Franchisor shall credit the amount of the overpayment to Franchisee's payments of Royalty Fees, and National Marketing and Promotions Fees next falling due.

6.6 If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Revenues, Franchisor shall have the right to either require Franchisee to pay the Royalty Fee, National Marketing and Promotions Fee, and any other sums due on account of any understatement based on (a) the amount previously paid by Franchisee in the preceding reporting period; or (b) the amount due based on information retrieved from Franchisor's approved computer system, if any. Any such estimate shall be final and binding upon Franchisee.

6.7 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments Franchisee shall also pay, upon demand, a late interest charge equal to the lesser of (i) 1.5% per month; or (ii) the highest legal rate permitted by applicable law, whichever is lower, on all payments due to Franchisor during the period of time said payments are due and unpaid. Each failure to pay Royalty Fees, National Marketing and

Promotions Fees, and other amounts payable to Franchisor when due shall constitute a material breach of this Agreement. Franchisee acknowledges that this Section 6.7 shall not constitute Franchisor's agreement to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Speed Training Business. Further, Franchisee acknowledges that failure to pay all such amounts when due shall, notwithstanding the provisions of this Section 6.7, constitute grounds for termination of this Agreement, as provided in this Agreement.

6.8 Any report of Franchisor's auditor rendered from time to time pursuant to this Section 6, shall be final and binding upon all of the parties hereto.

6.9 Franchisee hereby authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Business and hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the Business as Franchisor may request.

6.10 Franchisee acknowledges and agrees that Franchisor owns all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Speed Training Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion.

6.11 To encourage prompt delivery of all Business Records, Certificates of Insurance, Gross Revenue statements and any other documentation or record that may be requested by Franchisor under this Agreement, Franchisee shall pay, upon demand, a late report fee in the amount of \$100 per record or document requested if Franchisee fails to deliver such record or document when due.

6.12 If Franchisee pays the Royalty Fee or any other sums due to Franchisor under this Agreement with a check returned for non sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, Franchisor shall have the right to require that Royalty Fee payments and any other sums due to Franchisor under this Agreement be made by certified or cashier's checks. If Franchisee fails to pay the Royalty Fee or any other sums due to Franchisor under this Agreement by the due date 2 times during the Term, in addition to all other remedies which may be available, Franchisor reserves the right to require, in its sole discretion, that Franchisee pay the Royalty Fee or any other sums due to Franchisor under this Agreement weekly.

6.13 Franchisee agrees that, during the Term and for 3 years after the expiration and termination of this Agreement, Franchisee shall supply to Franchisor Franchisee's home (or Business location, if other than Franchisee's home) address and telephone number. This obligation shall survive the expiration or termination of this Agreement.

7. SERVICES AND ASSISTANCE

7.1 The Initial Franchise Fee and Royalty Fee are paid for the License, which includes the use of the Marks, the System and the use of Franchisor's Trade Secrets and Confidential Information provided pursuant to this Agreement and for certain services rendered by Franchisor.

7.2 Franchisor shall offer Franchisee initial and continuing services, as Franchisor deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of Franchisor. Failure by Franchisor to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.

7.3 Currently, initial services provided by Franchisor prior to Franchisee opening the Business shall include:

(a) Designating Franchisee's Territory and Additional Territory, if any, as stipulated in Section 4 and **Attachment A**.

(b) Furnishing Franchisee with specifications for all initial and replacement equipment, tools, inventory and supplies required for the operation of Franchisee's Business as stipulated in Section 9.

(c) Approving in writing Franchisee's proposed Branded or Shared Facility. Franchisee acknowledges and agrees that Franchisor's approval of the Branded or Shared Facility in no way constitutes a warranty by Franchisor that the Branded or Shared Facility satisfies any or all federal, state or local laws, ordinances or regulations for the provision of the Products and Services used and sold in the operation of Franchisee's Speed Training Business. Franchisor will provide Franchisee with Franchisor's standards and specifications for the build out and décor for the Branded Facility.

(d) Within 60 days of the mutual execution of the Franchise Agreement and Franchisee's receipt of all required licenses and permits, providing Franchisee, or if Franchisee is an entity, a person designated to manage the Business ("**Designated Business Manager**") and two additional people without extra charge with an initial training program. The initial training program shall be for five business days at Franchisor's facilities in Aurora, Illinois (or other location designated by Franchisor). Training may include a discussion of the System, techniques, procedures, installation and methods of operation, advertising, sales techniques, promotional ideas, marketing plans, customer relations, instructions on quality standards and practical experience in the operation of a franchise. Franchisee will pay Franchisor the Initial Training Program Fee as set forth in Section 5.1. Franchisee must pay the cost for its initial training program attendees to arrive at the initial training program location. Franchisor will pay for ground transportation, lodging and meals once attendees arrive at the initial training program location. Franchisee will pay the then-current Additional Assistance Fee charged by Franchisor for any additional people it elects to attend the initial training program. All

expenses related to travel to the initial training location, salaries, benefits and any other personal expenses for attendees will be born by the Franchisee.

(e) Lending Franchisee during the Term one copy of Franchisor's confidential Manual containing mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor as further stipulated in this Section 7, and containing information relative to other obligations of Franchisee hereunder. Specifications, standards and operating procedures prescribed from time to time by Franchisor in the Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth herein. Franchisee shall operate the Business strictly in accordance with the Manual. Failure to comply with the standards set forth in the Manual shall constitute a material breach of this Agreement. Franchisor reserves the right to provide the Manual and updates to the Manual in electronic form or other form determined by Franchisor. Franchisor shall have the right to add to, and otherwise modify, the Manual from time to time to reflect changes in authorized Products and Services, business image or the operation of the Business; provided, however, no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Some of the revisions to the Manual may include changes with respect to: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; (vi) Services; and (vii) Products.

(i) Franchisee covenants to accept, implement and adopt any such modifications at its own cost, except as provided in Section 8.5 of this Agreement. Franchisee shall keep its Manual with replacement pages and insertions as instructed by Franchisor.

(ii) Franchisee hereby acknowledges that the Manual is loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor, and upon termination of this Agreement for any reason whatsoever, Franchisee shall forthwith return the Manual together with all copies of any portion of the Manual which Franchisee may have made, to Franchisor.

(f) Providing Franchisee with a set of letterhead, business cards, and other start-up materials determined by Franchisor each at no additional charge. Additional copies of letterhead, business cards and other start-up materials after the initial inventory may be provided at Franchisee's expense.

(g) Providing Franchisee with marketing and promotional services for the period commencing 30 days before Franchisee opens its Speed Training Business and continuing through the first 60 days after Franchisee opens its Speed Training Business, including one on-site grand opening event during the first week of operations of Franchisee's Speed Training Business. Don Beebe and his staff will appear at Franchisee's grand opening event, and all related travel and lodging costs and expenses associated therewith shall be born by Franchisor.

(h) Consulting with Franchisee on Franchisor's current site selection guidelines and provide other site selection counseling, as Franchisor deems advisable, in its sole determination. If Franchisee does not intend to operate its Business from a

Shared Facility, Franchisor, as part of its initial services set out in this Section 7.3, will make a maximum of two on-site real estate evaluations of the proposed site for the Branded Facility, without charge.

7.4 Currently, the services provided by Franchisor to Franchisee after Franchisee opens the Business shall include:

(a) Making a representative reasonably available to speak with Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss Franchisee's operational issues and support needs.

(b) Holding periodic conferences to discuss sales techniques, new product developments, bookkeeping, training, accounting, inventory control, performance standards, advertising programs, merchandising procedures and other topics. Franchisee must pay a conference fee, if any, and all its travel and living expenses to attend. These conferences are held at Franchisor's Aurora, Illinois headquarters or at a location chosen by Franchisor. Franchisor has the right to require attendance at all mandatory conferences.

(c) Informing Franchisee of mandatory specifications, standards and procedures for the operations of the Speed Training Business.

(d) Researching new Products, Services, and methods, from time to time, and providing Franchisee with information concerning developments of this research.

(e) Maintaining the National Marketing and Promotions Fund and using these funds to develop promotional and advertising programs for Speed Training Businesses.

(f) Providing marketing and promotional services through the first 60 days after Franchisee opens its Speed Training Business.

(g) Providing advertising materials to Franchisee in the form of an arts graphics package included in the Manual and as further stipulated in Section 11.

(h) A representative of Franchisor may, in its sole discretion, provide additional assistance. There may be additional charges for this additional assistance. If Franchisor provides additional assistance, Franchisor and Franchisee must agree in advance on the charges for the visit and the length of the visit.

(i) Providing Franchisee with a monthly newsletter, in Franchisor's discretion.

7.5 If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in this Agreement, including Sections 7.3 and 7.4, Franchisee shall notify Franchisor in writing within 30 days following the opening of the Business. Absent the timely provision of such notice to Franchisor, Franchisee shall be deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment.

7.6 Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. To the extent any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide such service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisor shall not be obligated to provide any other services or specific level or quality of services.

8. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

8.1 Franchisee shall, consistent with the terms of this Agreement, diligently develop the Business and use its best efforts to market and promote the required Services and Products.

8.2 Subject to the terms of this Agreement, including Subsections 7.3(e)(i) and 7.3(e)(ii), during the Term, Franchisee shall strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of Franchisor regarding the operation of the Business and must comply with the following requirements:

(a) Prior to opening the Business, Franchisee or Franchisee's Designated Business Manager must attend and successfully complete all initial training programs. Franchisee shall be responsible for travel to the initial training location, salaries, benefits and any other personal expenses incurred by itself, the Designated Business Manager, and additional persons that participate in the initial training program.

(b) Franchisee or its Designated Business Manager must attend mandatory annual conferences at such locations as Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of persons attending, including any conference fees, travel expenses, meals, living expenses and personal expenses.

(c) Subject to Section 8.5, any additional required Service or Product introduced into the System by Franchisor must be offered for sale on a continuing basis at the Business at the time and in the manner required by Franchisor. Franchisor will provide at least 30 days prior written notice of any new required Service or Product introduced into the System. All equipment, products, supplies, tools and other items necessary to add the newly required Services or Products must be acquired, installed, and utilized at the time and in the manner required by Franchisor. The marketing of new Services and Products must begin at the Business as reasonably required by Franchisor.

(d) Franchisee shall offer only approved Services or Products for sale from the Territory, unless Franchisee receives the prior written consent of Franchisor to offer other products or services (which consent may be granted or denied in Franchisor's sole discretion).

(e) Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet Franchisor's standards and specifications shall be used at the Business. Advertising and promotional materials, tools, services, equipment, inventory, products, signage, supplies and uniforms produced

or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by Franchisor.

(f) Equipment, tools, Services, Products, inventory, supplies, signage, uniforms and other items must be added, eliminated, substituted and modified at the Business as soon as possible in accordance with changes in Franchisor's specifications and requirements.

(g) The Business and everything related to the Business must be maintained in good condition and must be kept clean, neat and sanitary. All maintenance, repairs and replacements reasonably requested by Franchisor or needed in connection with the Business must be promptly made. All employees must be clean and neat in appearance.

(h) No alterations of the Business materially affecting the image of the Business may be made except at Franchisor's request or approval, and any alterations must strictly conform to specifications and requirements established or approved by Franchisor.

(i) The Business and the Services provided and Products sold by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements applicable to the sale of the Products and Services. Franchisee must obtain all business licenses and permits required by federal, state and local laws, ordinances, rules and regulations before operating its Business. If Franchisee does not obtain all required permits and licenses necessary to operate its Business within six months after the mutual execution of the Franchise Agreement, Franchisor may terminate this Franchise Agreement.

(j) The employees, equipment, tools, supplies, inventory, products, and other items on hand at the Business, must be at all times sufficient to efficiently meet the anticipated volume of business.

(k) The payment of all debts and taxes arising in connection with the Business, except those duly contested in a bona fide dispute, must be paid when due.

(l) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as Franchisor deems necessary or appropriate to resolve customer disputes.

(m) Franchisee will provide to Franchisee's customers a guarantee on all Services delivered by Franchisee in Franchisee's Speed Training Business as required by Franchisor in the Manual.

(n) Franchisee shall accept all major credit cards and other the forms of payment specified by Franchisor in the Manual as payment.

(o) Franchisee shall comply with all terms and pay all fees that may be due under a software license agreement for any software Franchisee is required to use in the operation of its Business as prescribed by Franchisor.

(p) Franchisee shall comply with the advertising requirements set out in Section 11.

(q) Franchisee will not use any materials that are false or misleading.

(r) Franchisee will ensure that all advertising, labeling, packaging and other materials associated with the Services and Products fully conform to all applicable laws and regulations.

(s) Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, consumer protection laws and regulations. Franchisee will control the quality of the Services and Products to avoid quality problems or product liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers

8.3 In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 8.2 or any other provision of this Agreement, Franchisor will provide guidance to Franchisee, as required in Franchisor's sole determination, in determining the prices to be charged by Franchisee for Services or Products. Franchisor shall not have control over the day-to-day managerial operations of the Business, and Franchisee shall be free to establish its own prices.

8.4 Franchisor and Franchisor's representatives will have the right during business hours to inspect the Business and all other facilities used for service or storage, sale and transportation of any approved Products and the provision of any approved Service. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Business. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters that may pertain to compliance with this Agreement and with Franchisor's standards, specifications, requirements, instructions and procedures and Franchisor may take photographs of Franchisee's work as it relates to the Business. Franchisor and Franchisor's representatives will have the right to have any of Franchisor's required Services rendered by any employee at the Business. Franchisee shall in all respects cooperate with Franchisor's rights under this Section 8.4; provided, that Franchisor's exercise of these rights shall not unreasonably interfere with Franchisee's conduct of the Business.

8.5 Franchisee will not be required to offer or sell new Services or Products as set out in Section 8.2(c) if Franchisee demonstrates to Franchisor's reasonable satisfaction that:

(a) A substantial capital improvement not contemplated by this Agreement or in the Manual is required, thereby resulting in a material hardship to Franchisee; or

(b) A material reduction in sales or profitability would result therefrom. For the purposes of this Subsection 8.5(b), a 40% decrease in sales from the average sales in

the prior 12 months would be considered a material reduction in sales (subject to seasonal factors that may be applicable to the Territory), and a 30% reduction in profitability from the average profitability during the previous 12 months (subject to seasonal factors that may be applicable to the Territory) would be considered a material reduction in profitability.

8.6 Franchisor may require Franchisee's compliance with the provisions of this Section 8 even if it does not require such compliance by all franchisees.

8.7 If Franchisee is an individual, Franchisee must directly supervise the Business. If Franchisee is a corporation or other business entity, or if Franchisee has, in Franchisor's sole judgment, insufficient experience in a business similar to the franchise or experience in business management in general, then Franchisee shall nominate a Designated Business Manager having required experience who shall have direct responsibility for all operations of the Business. Any change in the Designated Business Manager will be subject to Franchisor's approval, in Franchisor's sole discretion.

8.8 Franchisee shall become a member of such trade associations or organizations which in the reasonable opinion of Franchisor are useful in the operation of the Business. Franchisee shall have the option to become a member of all benefit programs which are offered from time to time by Franchisor to all of its Franchisees. The costs of participating in such trade associations and benefit programs shall be borne by Franchisee and its employees (if applicable to the employees). Nothing in this Section 8.8 limits Franchisee's freedom to join any franchise or franchisees' association of its choosing.

8.9 Franchisee shall at all times have sufficient computer skills to operate Franchisee's computer, understand how to utilize any software Franchisor requires to be used in the Business, and to access email and the Internet. If Franchisor determines that Franchisee requires additional computer training, Franchisor will notify Franchisee in writing regarding the nature of the additional training required, and Franchisee will have 90 days to complete such training at a local computer training school at Franchisee's sole cost and expense. Franchisor reserves the right to designate the computer training school which Franchisee must attend. At the end of the training program, Franchisee shall present a certificate reasonably acceptable to Franchisor establishing that Franchisee passed the training course. Franchisee's failure to seek additional training or to pass the course shall constitute a default of this Agreement.

8.10 Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

8.11 Franchisee shall acquire, maintain, and upgrade hardware, software, information processing and communication systems, and Internet and other network access providers, as prescribed in the Manual and as modified periodically by Franchisor in Franchisor's sole discretion. Franchisee shall comply with any separate software or other license agreements that Franchisor or its designee use in connection with the System. Franchisee shall utilize Franchisor's required software, proprietary database management and intranet system, if any, as the exclusive means for tracking and maintaining customer, vendor, and lead information, and for such other uses as prescribed by Franchisor periodically in the Manual, in Franchisor's sole discretion. Monthly sales and royalty reporting may occur through mandatory software including the automatic draft via electronic transfer of Royalty Fees and National Marketing and Promotions Fees.

8.12 Franchisee shall at all times maintain an active email account and shall check the account at least once each day. If available, Franchisee shall maintain an email account on Franchisor's proprietary database management and intranet system.

8.13 Within 30 days after identifying either a Branded Facility or a Shared Facility to operate the Business, or such other period as agreed to by the Franchisor, Franchisee will provide Franchisor in the form specified by the Franchisor (1) a description of the site Franchisee proposes for its Branded Facility or Shared Facility, as the case may be; (2) an offer of lease or an executed letter of intent for the proposed Branded Facility or Shared Facility, as the case may be; and (3) other information and materials that Franchisor may require. Franchisor may terminate the Franchise Agreement if Franchisee fails to provide such information within the above time period. Franchisor will have 30 days to provide Franchisee with its approval or disapproval of the proposed Branded Facility or Shared Facility, as the case may be. If Franchisor does not provide its approval of the proposed Branded Facility or Shared Facility, as the case may be, within 30 days of Franchisor's receipt of the above information, the proposed Branded Facility or Shared Facility, as the case may be, will be deemed disapproved. If the Franchisor does not approve the proposed Branded Facility or Shared Facility, as the case may be, the Franchisee will select a new proposed Branded Facility or Shared Facility, as the case may be, and provide Franchisor with the above required information within 45 days of the Franchisor's disapproval. If the Franchisor does not approve the alternate site, the Franchisor may, in its sole discretion, extend the Opening Deadline while Franchisee continues to look for another alternate site; terminate the Franchise Agreement; or extend the period that Franchisee must locate a Branded Facility or Shared Facility to accommodate delays in selecting and obtaining Franchisor's site approval. Franchisee must be operating the Business from a Branded Facility or Shared Facility within six months of the execution of this Franchise Agreement ("**Opening Deadline**").

8.14 Franchisee must purchase or lease the approved Branded Facility or Shared Facility, as the case may be, obtain permits, zoning, approval and comply with all other state and local requirements for the Branded Facility or Shared Facility, as the case may be, within 60 days of Franchisor's approval of the Branded Facility or Shared Facility, as the case may be. If Franchisee fails to obtain a signed lease, purchase agreement (if any), permits, zoning approval, and comply with all other state and local requirements within such 90 day period, Franchisor may withdraw its approval of the Branded Facility or Shared Facility, as the case may be, terminate the Franchise Agreement, extend the period that Franchisee must obtain a signed lease,

purchase agreement (if any), permits, zoning approval and compliance with state and local requirements, or extend the Opening Deadline. Franchisee must obtain Franchisor's written approval of any sale or lease contract before executing any such contract and Franchisee must deliver a copy of the signed lease, sublease or sale contract to Franchisor within 15 days of signing. Franchisee will not modify the lease, sublease or sale contract without Franchisor's prior written approval. Franchisee will complete the initial training program and install all improvements, fixtures, equipment, furniture, supplies, inventory, computer hardware and software required by Franchisor and be ready to open its Business within the periods set out in the Manual.

8.15 Franchisee will reimburse Franchisor for the cost of travel, lodging and meals in connection with any additional site evaluations as set out in Sections 7.3 and 7.4.

8.16 Franchisee must incorporate the Lease Addendum attached here as **Attachment F** to any Lease for the Branded Facility or Shared Facility, as the case may be.

8.17 Franchisee may not open its Business until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the initial training program has been completed to Franchisor's satisfaction; (3) Franchisee has advised Franchisor in writing of the name and contact information for Franchisee's Designated Business Manager; (4) all amounts due to Franchisor have been paid; (5) Franchisor has been furnished with copies of all insurance policies and certificates required by Section 12, or other documentation of insurance coverage and payment of premiums that Franchisor may request; (6) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met; (7) Franchisee has obtained all necessary permits and licenses; (8) Franchisee has provided Franchisor with a fully executed copy of the Lease for Franchisee's Branded Facility or Shared Facility and (9) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer hardware and software required by Franchisor. Franchisee will begin operating the Business immediately after Franchisor determines that the Business is ready for opening.

9. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

9.1 Unless otherwise designated by Franchisor, Franchisee must purchase all Products, services, equipment, tools, inventory, signage, marketing materials, supplies and hardware and software from Franchisor's designated or approved suppliers, manufacturers and distributors. The standards and specifications for equipment, computer hardware and software, inventory, tools, marketing materials, signage, supplies, services and Products required by Franchisor shall be maintained in the Manual. Franchisor has the right to require Franchisee to discontinue purchasing any Products, services, equipment, tools, inventory, supplies, signage, marketing materials, hardware or software from a designated supplier, manufacturer or distributor and may designate new suppliers, manufacturers or distributors at any time in its sole discretion.

9.2 Franchisee acknowledges and agrees that Franchisor may receive from designated suppliers, manufacturers, or distributors of Franchisee's Products, services, equipment, tools, inventory, signage, marketing materials, supplies and hardware and software, periodic volume

rebates or other revenue as a result of Franchisee's purchases. Franchisee further acknowledges and agrees that Franchisor shall be entitled to keep for its own use and account such rebates and revenue.

9.3 The names and addresses of Franchisor's required suppliers, manufacturers and distributors shall be maintained in the Manual. Franchisor reserves the right to approve all of the Products, supplies, services, equipment, tools, inventory, signage, marketing materials, hardware and software used in connection with Franchisee's Business.

9.4 Franchisee must obtain Franchisor's prior approval, before selling new products or services in its Speed Training Business or using new products, services, equipment, tools, inventory, signage, marketing materials, supplies, hardware, software suppliers, manufacturers, or distributors in its Speed Training Business. Franchisor will provide its approval or disapproval, in its sole discretion, within 30 days of the later of Franchisee's request or Franchisor's receipt of all reasonable information requested by Franchisor needed to respond to Franchisee's request. If Franchisor fails to respond within such 30 days, Franchisee's request is deemed denied. By way of example, and not limitation, Franchisee must obtain Franchisor's approval prior to selling any nutritional supplements, training tapes, training equipment and other health products not set out in the Manual. Franchisor reserves the right to require the revenues from the sale of newly approved products to be included in Gross Revenues for purpose of circulating Royalty Fees, National Marketing and Promotions Fees, and any other Fees required to be paid pursuant to this Agreement.

10. MARKS, COPYRIGHTED WORKS AND OWNERSHIP OF IMPROVEMENTS

10.1 Franchisee acknowledges and agrees that:

(a) Franchisor is the owner of all right, title and interest, together with all the goodwill of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Business, and the Products and Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. In the event that Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all such rights, title or interest to Franchisor.

(b) All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Business ("**Copyrighted Materials**") are the property of Franchisor. Additionally, all Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of Franchisor, who shall be entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. To the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyrighted Materials, which Franchisee and the

author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 10.1(b).

(c) Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of the Marks or Copyrighted Materials, nor will it represent that it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement.

(d) Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Marks or any trademark, service mark or logo confusingly similar thereto or any Copyrighted Materials, anywhere in the world.

(e) Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

(f) All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Agreement.

(g) **FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.**

10.2 Franchisee acknowledges and agrees that:

(a) Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Business and only in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by

Franchisor in the Manual and elsewhere from time to time during the term and any renewal Term. Franchisee will make every effort consistent to protect, maintain, and promote the Marks as identifying the System and only the System.

(b) Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks and Copyrighted Materials.

(c) Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

(d) In order to preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents shall have the right of entry and inspection of Franchisee's Business and operating procedures pursuant to Section 8.4.

(e) Franchisee will safeguard and maintain the reputation and prestige of the Marks and Copyrighted Materials and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

(f) Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, and promotional items such as clothing, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Manual and otherwise given by Franchisor from time to time.

(g) Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

© (year of first publication). House of Speed Franchising, LLC. All Rights Reserved.

(h) Franchisee will use the Marks with a superscript "®" or "™", as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

10.3 Franchisee acknowledges and agrees that:

(a) If, in Franchisor's reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, Products, other products and services or the Business will infringe or potentially infringe upon the rights of any third

party, weakens or impairs Franchisor's rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify or discontinue use of the Marks or Copyrighted Materials then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use 1 or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisor shall reimburse Franchisee for the tangible cost of compliance with this requirement (such as the cost of printing new letterhead and business cards) up to \$500, but Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Marks or Copyrighted Materials.

(b) Franchisee shall notify Franchisor within three days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof or the Copyrighted Materials. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks or Copyrighted Materials and shall exercise such right in the sole discretion of Franchisor. Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution. At Franchisor's option, Franchisee will join in any action, in which case Franchisor shall bear all the out-of-pocket costs of Franchisee for such participation. If Franchisee joins in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith and then split equally between Franchisor and Franchisee.

10.4 All provisions of this Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

10.5 If Franchisee, during the term of the franchise relationship, conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Business or any advertising and promotional ideas or inventions related to the Business (collectively, the "**Improvements**"), Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any such Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisee shall assign and does hereby assign to Franchisor, all right, title and interest in and to the

Improvements, including the right to grant sublicenses to any such Improvement. Franchisor, at its discretion, may make application for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor, in securing such rights. Franchisor may also consider such Improvements as the property and Trade Secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees.

11. ADVERTISING AND PROMOTION

11.1 Franchisee shall pay the Start Up Advertising Expense set forth on **Attachment A** upon execution of this Agreement. The Start-Up Advertising Expense will be used by Franchisor for advertising and promotion of Franchisee's Speed Training Business during the period beginning 30 days before Franchisee opens its Speed Training Business and continuing through the first 60 days after Franchisee opens its Speed Training Business ("**Start-Up Advertising Period**"). . The Start-Up Advertising Expense will include one grand opening event. Upon the expiration of the Start-Up Advertising Period, and during the remaining Term, Franchisee shall spend a minimum of \$1,000 per month ("**Individual Advertising Expense**") for advertising and promotion within the Territory. Franchisee may not advertise outside its Territory without Franchisor's approval, which may be granted or withheld in Franchisor's sole discretion.

11.2 During the Term, Franchisee shall furnish Franchisor an accounting of Franchisee's previous month's expenditures for advertising and promotion on a form approved by Franchisor.

11.3 Franchisor will make available to Franchisee all advertising and promotion materials for the Business which are used by Franchisor and other franchisees. Advertising materials developed by Franchisor and incorporated into the Operations Manual will be deemed to be acceptable advertising materials. Franchisee must pay duplication costs of any advertising or promotion material provided by Franchisor.

11.4 Franchisor, in its sole discretion, may elect to form a national marketing, promotions and public relations fund ("**National Marketing and Promotions Fund**"). When the National Marketing and Promotions Fund is in existence, on or before the 10th day of each month, Franchisee shall remit between 1% and 3% of the Gross Revenues for the preceding month or portion thereof to Franchisor ("**National Marketing Fee**"). Franchisor will notify Franchisee of the initial amount of the National Marketing and Promotions Fee when the National Marketing and Promotions Fund is in existence. Franchisor will provide Franchisee with 30 days prior notice before establishing or increasing the National Marketing and Promotions Fee. No action taken by Franchisee shall diminish Franchisee's obligations to pay the National Marketing Fee to the National Marketing and Promotions Fund. The National Marketing and Promotions Fee is in addition to Franchisee's obligations in Section 11.1.

11.5 Advertising and promotional materials and services, along with public relations services, will be provided to Franchisee through the National Marketing and Promotions Fund. Franchisor may occasionally provide for placement of advertising on behalf of the entire System, including franchisees, or on behalf of a particular region, that may not include Franchisee,

through the National Marketing and Promotions Fund. Franchisor reserves the right to use the National Marketing and Promotions Fee from the National Marketing and Promotions Fund to place advertising in national media or regional media (including broadcast, print or other media) in the future and to engage one or more public relations firms to build brand recognition for the House of Speed System. Franchisee acknowledges that the National Marketing and Promotions Fund is intended to maximize the general brand recognition of the System. Franchisor is not obligated to expend National Marketing and Promotions Funds on Franchisee's behalf or benefit or expend National Marketing and Promotions Funds equivalent or proportionate to the amount Franchisee has contributed as National Marketing and Promotions Fees on Franchisee's behalf or benefit.

11.6 National advertising, public relations, and promotions will be started and continued by Franchisor, when, in Franchisor's sole discretion, Franchisor deems that it has accumulated sufficient moneys for that purpose. The National Marketing and Promotions Fund will be used to promote the System, Services and/or Products sold by Franchisees and will not be used to sell additional franchises. Franchisor's accounting and marketing personnel or a representative designated by Franchisor will administer the National Marketing and Promotions Fund. The National Marketing and Promotions Fund will collect National Marketing and Promotions Fees from all franchisees. All payments to the National Marketing and Promotions Fund must be spent on advertising, public relations, market research, promotion, marketing of goods and services provided by Franchisor, outside vendors, including but not limited to marketing agencies, and administration of the National Marketing and Promotions Fund, including but not limited to, salaries, overhead, administrative, accounting, collection and legal costs and expenses. The National Marketing and Promotions Funds will be maintained by Franchisor in a separate account. An annual un-audited financial statement of the National Marketing and Promotions Fund, at the expense of the National Marketing and Promotions Fund, will be made available to Franchisee for review within 120 days after Franchisor's fiscal year end upon Franchisee's request.

11.7 The National Marketing and Promotions Fees collected by the National Marketing and Promotions Fund are non-refundable. The National Marketing and Promotions Fund may be terminated at any time by Franchisor, in its sole discretion. In the event that the National Marketing and Promotions Fund is terminated, any remaining balance in the National Marketing and Promotions Fund will be expended as provided for in Sections 11.5 and 11.6 or returned to Franchisee on a pro-rata basis.

11.8 Franchisee shall fully participate in all such promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new Services, Products, new franchises or other marketing programs directed or approved by Franchisor), which are prescribed from time to time by Franchisor. Franchisee shall be responsible for the costs of such participation. In addition, Franchisee shall honor any coupons, gift certificates or other authorized promotional offers of Franchisor at Franchisee's sole cost unless otherwise specified in writing by Franchisor. Franchisee will maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor from time to time. The cost for such participation will be applied to Franchisee's Individual Advertising Expense and Minimum Individual Advertising Expense obligations set forth in Section 11.1.

11.9 Franchisor (and any designee of Franchisor) will have no direct or indirect liability or obligation to Franchisee or the National Marketing and Promotions Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the National Marketing and Promotions Fund. Franchisee and Franchisor agree that their rights and obligations with respect to the National Marketing and Promotions Fund and all related matters are governed solely by this Agreement and neither this Agreement or the National Marketing and Promotions Fund creates a trust, fiduciary relationship, or similar arrangement.

12. INSURANCE AND INDEMNITY

12.1 Franchisee shall, upon commencement of the Term, purchase and at all times maintain in full force and effect:

(a) Insurance policies, in such amounts and on such terms, as prescribed by the Manual, issued by an insurance company acceptable to Franchisor at all times during the Term of this Agreement and any renewal Terms. Insurance coverage must include, but is not limited to, comprehensive general liability, combined single limit, automobile, bodily injury and all-risk property damage insurance and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manual and adjusted by Franchisor periodically in Franchisor's sole discretion; unemployment and workers compensation insurance; and any other additional insurance required by the terms of any Lease or lender for the Business. Insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and Franchisor's and Franchisor Affiliates' respective officers, directors, shareholders, members and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance or operation by Franchisee of the Business. The policies must also stipulate that Franchisor shall receive a 30 day prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, shall be furnished to Franchisor together with proof of payment within 10 days of issuance thereof. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within 10 days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time in Franchisor's sole discretion. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance, within five days of the date Franchisor delivers an invoice detailing such costs

and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 18 of this Agreement. Franchisee shall also procure and pay for all other insurance required by state or federal law. Franchisor reserves the right to modify minimum insurance requirements at any time in its sole discretion by updating the Manual.

(b) All liability insurance policies procured and maintained by Franchisee in connection with the Business will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against Franchisee, Franchisor, Franchisor's Affiliates and their respective officers, directors, agents, employees, and all other entities or individuals designated by Franchisor as additional insureds.

12.2 Franchisee shall, during the Term and any renewal Terms and after the termination or expiration of the Franchise Agreement, indemnify Franchisor, its Affiliates and their respective officers, directors and employees, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, "**Damages**,") for which they are held liable, or which they incur (including travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

(a) a breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy any Branded Facility and/or Shared Facility or any other premises used by Franchisee to operate the Business is held, by Franchisee;

(b) any injury to, or loss of property of, any person in, or on, the Branded Facility and/or Shared Facility or any other premises used by Franchisee to operate the Business;

(c) Franchisee's taxes, liabilities, costs or expenses of its Business;

(d) any negligent or willful act or omission of Franchisee, its employees, agents, servants, contractors or others for whom it is, in law, responsible; and

(e) any advertising or promotional material distributed, broadcasted or in any way disseminated by Franchisee, or on its behalf unless such material has been produced, or approved in writing, by Franchisor.

13. RELATIONSHIP

13.1 Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of Franchisor and no training or supervision given by, or assistance from, Franchisor shall be deemed to negate such independence. Neither party is liable

or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. Franchisee shall conspicuously identify itself in all dealings with the public as a sole operator that is an entity separate from Franchisor and state that Franchisor has no liability for the Business being conducted from the Business location. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

13.2 Neither party hereto shall make any agreements, representations or warranties (except by Franchisor in advertising as provided herein) in the name of, or on behalf of, the other party; neither party hereto shall be obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by Franchisor in advertising as provided herein) nor shall Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Business, whether caused by Franchisee's negligent or willful action or failure to act.

13.3 Franchisor shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, Gross Revenues, income, property or other tax levied upon Franchisee, Franchisee's property, the Business or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

14. RESTRICTIVE COVENANTS

14.1 Franchisee acknowledges and agrees that:

(a) Franchisee's entire knowledge of the operation of the Business, the System, and the concepts and methods of promotion franchised hereunder that it has now or obtains in the future is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of Franchisor, represent valuable assets of Franchisor and that Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time.

(b) During the Term and any renewal of Franchisee's right to operate a Speed Training Business, Franchisee, and Franchisees' Principals, Controlling Principals, Designated Business Managers, and employees who have access to the Confidential Information and Trade Secrets agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees, Controlling Principals, Designated Business Managers, training class attendees, and Franchisee's Principals who have access to the Confidential Information and Trade Secrets to execute such nondisclosure and noncompetition agreements as Franchisor may require periodically, and provide Franchisor, at Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on such nondisclosure and noncompetition agreements.

(c) After the Agreement expires or is terminated, Franchisee, and Franchisees' Principals, Controlling Principals, Designated Business Managers and employees who have access to the Confidential Information and Trade Secrets agree that for a period of two years after the termination or expiration of the Agreement (unless such information is a Trade Secret in which case the requirements in this Section 14.1(c) will remain in place for as long as such information constitutes a Trade Secret) they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets; and (4) will adopt and implement all reasonable procedures Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring written nondisclosure and noncompetition agreements for those individuals as Franchisor may require and provide Franchisor, at Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on such nondisclosure and noncompetition agreements.

(d) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its Principals, Controlling Principals, Designated Business Managers, training program attendees or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence at the time it was communicated to Franchisee; or (c) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose the information, if Franchisee has notified Franchisor before disclosure and used Franchisee's best efforts, and afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

14.2 Franchisee covenants and agrees that:

(a) During the Term of this Agreement and any renewal of Franchisee's right to operate a Speed Training Business thereof, Franchisee, its Principals, Controlling Principals and Designated Business Managers shall not, without the prior written consent of Franchisor, either individually or in a partnership, corporation, limited liability company, joint venture or other business entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in competition with a Speed Training Business or any business similar to the Speed Training Business ("**Competitive Business**") as carried on from time to time during the Term of this Agreement, including any renewal of Franchisee's right to operate a Speed Training Business thereof.

(b) Upon termination or expiration of the Term or any renewal of Franchisee's right to operate a Speed Training Business, or the transfer, sale or assignment of this Agreement by Franchisee, neither Franchisee, the Designated Business Manager, Franchisee's Principals or Controlling Principals will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two years, in any Competitive Business in: (1) the Territory or any other franchisee's territory; (2) within 100 miles of the Territory or any other franchisee's territory; or (3) within 100 miles of any Franchisor or Affiliate owned Business.

14.3 During the Term (including any renewal of Franchisee's right to operate a Speed Training Business) of this Agreement and for a period of two years thereafter, Franchisee, Franchisee's Principals or Controlling Principals, and the Designated Business Manager shall not attempt to attain an unfair advantage over other franchisees or Franchisor or any Affiliates thereof by soliciting for employment any person who is, at the time of such solicitation, employed by Franchisor, other franchisees or any Affiliates, nor shall Franchisee directly or indirectly induce or attempt to induce any such person to leave his or her employment as aforesaid.

14.4 If any person restricted by this Section 14 refuses to voluntarily comply with the foregoing obligations, the two year period will commence with the entry of any order of a court or arbitrator enforcing this Section 14.

14.5 The parties have attempted in Section 14.2 above to limit Franchisee's right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 14.2 is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Section 14.2 to the extent that it deems necessary to make such provision enforceable under applicable law. In addition, Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS

AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

14.6 Nothing in this Section 14 shall prevent any active Principal or Controlling Principal officer of Franchisee or member of Franchisee's family either individually or collectively, from owning not more than a total of 5% of the stock of any company, which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

14.7 Franchisee must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information and Trade Secrets in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 14. Franchisee acknowledges that as a Franchisee of Franchisor, it will have access to Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section 14 will be deemed to threaten immediate and substantial irreparable injury to Franchisor. Accordingly, Franchisee agrees that Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies and without posting a bond.

14.8 In the event that Franchisee is not an individual, this Section 14 will also apply to the officers, directors, stockholders, partners, members, trustees, beneficiaries, Controlling Principals and/or Principals, of Franchisee, and any persons controlled by, controlling or under common control with Franchisee.

15. ASSIGNMENT

15.1 Franchisee acknowledges that Franchisor's obligations under this Agreement are not personal. Franchisor shall have the absolute right, in its sole discretion, to unconditionally transfer or assign this Agreement or any of its rights or obligation under this Agreement to any person, corporation or other party.

15.2 Franchisor reserves the right to assign the franchise System to anyone including the operator of a competing franchise system. Franchisee acknowledges and agrees that Franchisor may sell its assets, the Marks or the System to any third party of Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without Franchisee's consent and, provided the transferee expressly assumes and undertakes to perform Franchisor's obligations in all material respects, free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

15.3 With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks, assets or the System from Franchisor to any other party.

15.4 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Business and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the Business, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of Franchisor and compliance with all terms of this Section 15. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Agreement by Franchisor.

15.5 With and after each valid assignment of this Agreement pursuant to this Section 15, the assignee or assignees of Franchisee shall be deemed to be Franchisee under this Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder in any corporation, member in any limited liability company or partner in any partnership which becomes Franchisee shall have any rights under this Agreement by reason of his, her or its stock ownership, membership interest or partnership interest.

15.6 If Franchisee shall at anytime determine to sell, in whole or in part, the Business, Franchisee shall obtain a bona fide, executed, written offer ("**Purchase Offer**") for the Business together with all real or personal property, leasehold improvements and other assets used by Franchisee in its Business from a responsible, arms' length, and fully disclosed purchaser and shall submit an exact copy of such Purchase Offer to Franchisor. Franchisor will have a right of first refusal to purchase the Business as provided in Section 16.

15.7 No transfer or assignment of this Agreement will be approved by Franchisor or be effective unless and until all the following conditions are satisfied:

(a) Franchisee being then in full compliance herewith and paying to Franchisor all outstanding debts or amounts owing to Franchisor;

(b) the transferee executing Franchisor's then current form of franchise agreement (which shall have terms equal to the remainder of Franchisee's initial Term, but which may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for advertising and promotion than are provided hereunder, and such other documents then customarily used by Franchisor to grant franchises), all other documents as may be reasonably requested by Franchisor and paying to Franchisor a transfer fee in the amount of \$5,000.00 U.S. ("**Transfer Fee**");

(c) Franchisee's execution of a general release of Franchisor, including its officers, directors, agents and employees and Affiliates from such parties' obligations under the Agreement;

(d) the transferee purchasing all of Franchisee's assets used in the Business in accordance with all applicable bulk sales legislation and assuming all of the liabilities of the Business unless such liabilities have been paid prior to the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock or membership interest of Franchisee;

(e) the transferee shall be an individual, corporation, limited liability company, partnership or other business entity having adequate financial resources who shall meet all criteria established by Franchisor for franchisees. The transferee shall also complete Franchisor's then current training program established by Franchisor for franchisees unless: (i) the transferee is a current franchisee in good standing in the System, or (ii) the transferee is or has been a Designated Business Manager for a period of 1 year or more of a Business in good standing;

(f) the parties to the proposed transaction will have entered a binding agreement subject only to the rights of Franchisor set out in Section 16. Franchisor shall be furnished a copy of this binding agreement, and such agreement shall be subject to Franchisor's approval in writing. Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement;

(g) the proposed transferee or the stockholders, partners, members or owners of a beneficial interest in a proposed corporation, partnership, limited liability company or other entity transferee, providing jointly and severally such personal guarantees which Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;

(h) the proposed transferee shall have demonstrated to Franchisor's satisfaction that it, he or she will meet in all respects Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the Business, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as Franchisor may reasonably require. Because of the confidential information and trade secrets available to a franchisee, no assignment to a competitor of Franchisor will be permitted; and

(i) the transferee paying all costs of: (i) Franchisor with respect to the granting of Franchisor's approval, as hereinbefore contemplated, including but not limited to all of its legal costs with respect to the preparation and execution of the above noted Franchise Agreement, and all other documents then customarily used by Franchisor to grant franchises; and (ii) the transfer, including but not limited to all professional fees (attorney's fees, broker fees, and the like), leasing expenses, document preparation costs and due diligence.

15.8 Notwithstanding anything to the contrary herein contained, Franchisor shall, upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor (including the obtaining of all necessary approvals to the assignment of leases, if any, of the Training Facility), consent to an assignment of Franchisee's right, title and interest in and to this Agreement, and the property and assets owned and used by Franchisee in connection therewith and any other agreement then in effect between Franchisee and Franchisor to a corporation, limited liability company or other business entity which is wholly owned and controlled by Franchisee, subject to the following (provided that such assignment shall in no way release Franchisee from any liability under this Agreement):

(a) Contemporaneously with such assignment and thereafter upon the appointment or election of any person as director, officer, partner or manager of such corporation, limited liability company or other business entity, such corporation, limited liability company, partnership or other business entity shall cause each shareholder, partner, member, manager, director(s) and officer(s) of the corporation, limited liability company, partnership or other business entity to execute a written agreement with Franchisor under seal, personally guaranteeing full payment and performance of Franchisee's obligations to Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement or any new current form of Franchise Agreement and jointly and severally liable;

(b) No shares or interest in the capital of such corporation, limited liability company, partnership or other business entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or interest or offer or attempt to do so or permit the same to be done without Franchisor's prior written consent;

(c) The corporation shall maintain stop transfer instructions against the transfer of shares on its records subject to the restrictions of this Section and shall have all outstanding shares endorsed with the following legend printed conspicuously upon the face of each certificate:

"The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement with House of Speed Franchising, LLC Reference is made to said Franchise Agreement and to the restrictive provisions of the articles of this corporation."

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by laws of the corporation, limited liability company, partnership or other business entity shall provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement, and copies thereof shall be furnished to Franchisor upon request;

(e) Franchisor's consent to a transfer of any interest subject to the restrictions of this Section shall not constitute a waiver of any claim it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee;

(f) The corporation, partnership, limited liability company or other business entity shall advise Franchisor and keep Franchisor current as to the names and addresses of the directors, officers, members, partners and shareholder of and those persons financially involved in the corporation, partnership, limited liability company or other business entity; and

(g) Franchisee, James J. Halloran and Tessa G. Halloran agree to devote their full time and best efforts to manage the day-to-day operations of the franchised Business unless they have an operational partner or Designated Business Manager approved by Franchisor.

15.9 Upon the death of Franchisee, shareholder, partner, or member the rights granted by this Agreement may pass to the next of kin or legatees, provided that Franchisee's legal representatives shall within 120 calendar days of Franchisee's death apply in writing to Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor shall not unreasonably withhold its permission so long as the proposed transferees meet each of the requirements set forth in this Section 15 within 30 days of the receipt of a conditional permission for the transfer.

15.10 Any attempt by Franchisee to transfer any of its rights or interest under this Agreement or the License, without having received Franchisor's prior written consent, will constitute a material breach of this Agreement. However, if Franchisee dies and its personal representative does not desire to sell the Business, and if under controlling local law Franchisee's interest in the Business, the License and Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then such attempted assignment by operation of law will not be deemed in violation of this Agreement, provided that such heirs or legatees accept the conditions imposed on otherwise permitted assignees.

15.11 Franchisee shall not have the right to grant a subfranchise.

16. OPTION TO PURCHASE/RIGHT OF FIRST REFUSAL

16.1 Unless otherwise explicitly provided by this Agreement, Franchisor shall be entitled to exercise the rights provided in this Section immediately upon:

(a) The expiration without renewal or the termination for any reason of the License or this Agreement;

(b) Any breach, default or other event that gives Franchisor the right to terminate the License or this Agreement, after expiration of any applicable notice and cure period; or

(c) The receipt by Franchisor of a copy of a Purchase Offer.

16.2 Upon any event described in this Section 16.1, Franchisor shall have the option to purchase all of Franchisee's rights, title and interest in the Business, and all its improvements, furniture, fixtures, equipment and products, and all of Franchisee's accounts, contract rights, work in progress and other business assets.

16.3 The purchase price for assets itemized in Section 16.2 will be, subject to Section 16.4: (i) the current fair market value if Section 16.1(a) or 16.1(b) is applicable; or (ii) the price specified in the Purchase Offer received by Franchisee if Section 16.1(c) is applicable. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by each of Franchisee and Franchisor and an average of the 2 appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee.

16.4 If Franchisor elects to exercise any option to purchase provided in this Section 16, Franchisor will have the right to set off all amounts due from Franchisee under the Franchise Agreement or any other agreements between the parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor shall also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

16.5 Franchisor will notify Franchisee of its intention to exercise or not exercise its rights to purchase ("**Notice of Intent**") within 60 days following an event described in Sections 16.1(a) or 16.1(b) or within 15 days following an event described in Section 16.1(c). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by Franchisor if Sections 16.1(a) or 16.1(b) is applicable. In the event Franchisor is purchasing the assets pursuant to Sections 16.1(a) or 16.1(b), Franchisee will have 14 days following receipt of Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing shall be resolved through appraisal as specified by Section 16.3. If Franchisor declines to exercise its rights under this Section within the 15 or 60 day period described above, as applicable, Franchisee may thereafter sell or dispose of the Business to any third party in the event of a sale under Sections 16.1(a) or 16.1(b) or to the third party identified in the Purchase Offer in the event of a sale under Section 16.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of Franchisor and satisfaction of the other conditions to assignment set forth in Section 15. If the sale to such third party purchaser is not completed within 90 days after Franchisor delivers the Notice of Intent to Franchisee, Franchisor shall again have the right of first refusal herein provided.

16.6 If Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 16, the purchase and sale contemplated in this Section shall be consummated as soon as possible. In the event Franchisor is purchasing the assets pursuant to Sections 16.1(a) or 16.1(b), following the delivery of a Notice of Intent as specified in Section 16.5, Franchisor or Franchisor's designee shall have the immediate right to take possession of the Business and to carry on and develop the Business for the exclusive benefit of Franchisor or its designee.

17. FRANCHISEE RIGHT OF FIRST REFUSAL

17.1 During the Term, if Franchisor receives an offer from a qualified candidate to enter into a franchise agreement for a location within either Trumble County, Ohio, Columbiana County, Ohio, or northern Mahoney County, Ohio, then Franchisor will send written notice to Franchisee, along with a copy of Franchisor's then current Franchise Disclosure Document. Franchisee will have a period of thirty (30) days to notify Franchisor if it desires to enter into another franchise agreement with Franchisor in accordance with the terms offered by the qualified candidate. To exercise this right of first refusal, Franchisee must send written notice to Franchisor exercising the right of first refusal within said thirty day period, but not sooner than fourteen (14) days after receipt of the Franchise Disclosure Document, along with the following: a receipt for the Franchise Disclosure Document showing the actual date of receipt, a signed franchise agreement and the initial fees due pursuant to the franchise agreement. If Franchisee fails to do all of the foregoing within said thirty (30) day period, Franchisee will be deemed to have waived its right of first refusal. In addition, if Franchisee waives its right of first refusal granted pursuant to this Section, then the rights granted to Franchisee by this Section will terminate and be of no further force or effect.

18. DEFAULT AND TERMINATION

18.1 Franchisor shall have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder (subject to the provisions of applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

(a) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Franchisor's Manual, Confidential Information or Trade Secrets of Franchisor;

(b) Franchisee voluntarily abandons the Business for a period of 5 consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Business, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

(c) Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

(d) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Business or any of the property used in the operation of the Business and is not discharged within five days; or if the real or personal property of

Franchisee's Business shall be sold after levy thereupon by any sheriff, marshal or constable;

(e) Franchisee or any Principal or Controlling Principal of greater than 20% of Franchisee entity or operator is charged or convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

(f) Franchisee fails to pay any amounts due Franchisor or Affiliates within ten days after such fees or amounts are overdue;

(g) Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten days after notification of such failure to follow such directions and guidelines from Franchisor;

(h) Franchisee has received two notices of default with respect to Franchisee's obligations hereunder from Franchisor within a 12 month period, regardless of whether the defaults were cured by Franchisee;

(i) Franchisee sells, transfers or otherwise assigns the Business, an interest in the Business or Franchisee entity, this Agreement or a substantial portion of the assets of the Business owned by Franchisee without complying with the provisions of Section 15;

(j) Franchisee submits on two or more occasions during the Term a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Revenue by more than 3%, unless Franchisee demonstrates that such understatement resulted from inadvertent error;

(k) Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than five days late on two or more occasions during the Term or any renewal Term unless due to circumstances beyond the control of Franchisee;

(l) Franchisee sells or offers for sale any unauthorized merchandise, product or service, uses unauthorized marketing materials or an unauthorized supplier manufacturer or distributor. Engages in any unauthorized business or practice or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks;

(m) Franchisee contests in any court or proceeding the validity of, or Franchisor's ownership of the Marks or copyrighted materials;

(n) Franchisee is a corporation, limited liability company, partnership or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate such entity without Franchisor's prior written consent;

(o) Franchisee or its Designated Business Manager fails to successfully complete Franchisor's training or retraining course(s);

(p) Franchisee receives from Franchisor during the Term and any period that Franchisee's right to operate a Speed Training Business was renewed 3 or more notices of default regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by Franchisee; or

(q) Any misrepresentation under Section 1.9 or any violation of Anti-Terrorism Laws by Franchisee, Designated Business Manager, its Principals, Controlling Principals, agents or employees.

18.2 Franchisor shall have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the 30 day period. Defaults shall include, but not be limited to, the following:

(a) Franchisee fails to maintain the then current operating procedures and standards established by Franchisor as set forth herein or in the Manual or otherwise communicated to Franchisee;

(b) Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(c) Franchisee fails or refuses to comply with the then current requirements of the Manual;

(d) Franchisee, or any partnership, joint venture, limited liability company, corporation or other business entity in which Franchisee has a controlling equity interest, defaults under any term of the Lease of the Branded Facility, Shared Facility or any other premises used by Franchisee to operate the Business, any other franchise agreement with Franchisor or any other agreement material to the Business and such default is not cured within the time specified in such Lease, other franchise agreement or other agreement;

(e) Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the Royalty Fee or Individual Advertising Expense or any other report required under the Agreement when due;

(f) Franchisee fails, refuses or neglects to accurately report Gross Revenues, sales information or other information required by Franchisor to be reported; or

(g) Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor and does not

correct such failure within 30 days after written notice from Franchisor (which shall describe the action that Franchisee must take) is delivered to Franchisee.

18.3 Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period, Franchisee shall be given an additional reasonable period of time to cure the same, but in no event longer than 30 additional days.

18.4 A termination of this Agreement by Franchisee shall be deemed to be a termination without cause and a breach hereof, by Franchisee. Franchisee agrees that it shall not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

18.5 No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

18.6 Franchisee agrees to pay within 5 days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, the landlord of the Branded Facility, Shared Facility or other premises used in the Business (if applicable) and Franchisee's trade and other creditors which are then unpaid.

18.7 All royalty fees and advertising contributions, all amounts due for goods purchased by Franchisee from time to time from Franchisor or its Affiliates and any other amounts owed to Franchisor or its Affiliates by Franchisee pursuant to this Agreement or any other agreement shall bear interest after the due date at the rate of 18% per annum or the highest rate permitted by law, whichever is lower, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment shall not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to Franchisor's right to terminate this Agreement in respect of such default.

18.8 Should Franchisee, or any partnership or joint venture or corporation in which Franchisee has a controlling equity interest, be a franchisee pursuant to another Franchise Agreement with Franchisor, respecting another franchised Business using the Marks, a default under this Agreement shall constitute a default under such other Franchise Agreement and vice versa, with like remedies available to Franchisor. Should such other Franchise Agreement cease to be valid, binding and in full force and effect for any reason then Franchisor may, at its option terminate this Agreement and this Agreement shall be forthwith surrendered by Franchisee and terminated, and likewise should this Agreement cease to be valid binding and in full force and

effect for any, reason, Franchisor may at its option terminate the other Franchise Agreement and the other Franchise Agreement shall be forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder shall be both joint and several. A breach hereof by one such entity or Franchisee shall be deemed to be a breach by both or all.

18.9 Franchisee agrees that upon termination or expiration of this Agreement, it shall take the following action:

(a) Immediately discontinue the use of all Marks, signs, structures, forms of advertising, telephone listings, facsimile numbers, e-mail addresses, the Manual, and all materials, Products and Services of any kind which are identified or associated with the System and return all these materials and Products to Franchisor;

(b) Immediately turn over to Franchisor all materials, including the Manual, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business (all of which are acknowledged to be Franchisor's property). Under no circumstances shall Franchisee retain any printed or electronic copies of the Manual, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Agreement;

(c) Franchisee hereby acknowledges that all telephone numbers, facsimile numbers and Internet addresses used in the operation of the Business constitute assets of the Business; and upon termination or expiration of this Agreement, Franchisee shall take such action within five days to cancel or assign to Franchisor or its designee as determined by Franchisor, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and Internet and e-mail addresses, and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor. Franchisee acknowledges as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment E** evidences such appointment;

(d) Make no representation nor state that Franchisee is in any way approved, endorsed or licensed by Franchisor or associated or identified with Franchisor or the System in any manner;

(e) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other

registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System;

(f) Provide Franchisor the option to purchase as set in Section 16; and

(g) Comply with the provisions of Sections 10.1(c) and 10.1(d) and Section 14.

18.10 If, within 30 days after termination or expiration of this Agreement by Franchisor, Franchisee fails to remove all displays of the Marks from the Business, which are identified or associated with the System, Franchisor may enter the Business to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.

18.11 If, within 30 days after termination or expiration of this Agreement Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

18.12 Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration.

18.13 All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 10, 12, 14 and 16, hereof shall survive termination or expiration of this Agreement.

18.14 In the event that this Agreement expires or is terminated for any reason whatsoever and Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the Business or which are situated on the Business premises, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

18.15 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

18.16 In the event of termination of the Agreement for any reason whatsoever the parties shall accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, to the extent permitted by law, any claim against the other for punitive or exemplary damages; except for such punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets or arising under the indemnification set out in Section 12.

18.17 The rights of the parties hereto are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

18.18 Nothing herein shall prevent Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for Franchisor to seek preliminary or permanent injunctive relief, Franchisor may do so without a bond.

18.19 THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. NOTICES

19.1 Any notice of default under this Agreement shall be delivered personally or by courier to the appropriate location. Any other notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to be given hereunder shall be in writing and may be given to the party for whom it is intended by personal delivery, facsimile transmission or delivering it to such party by mailing it by prepaid registered mail, in the case of Franchisor to:

To Franchisor:

House of Speed Franchising, LLC
301 Snow Street
Sugar Grove, Illinois 60554

with a copy (which shall not constitute notice) to:

Faegre & Benson LLP
1700 Lincoln Street, Suite 3200
Denver, Colorado 80203
Attention: Kevin P. Hein, Esq.

To Franchisee:

Attention:_____

with a copy to:

Attention:_____

Any such notice or other document delivered personally or by facsimile transmission shall be deemed to have been received by and given to the addressee on the day of delivery and any such other notice or other document mailed as aforesaid, shall be deemed to have been received by and given to the addressee on the 3rd business day following the date of mailing. Any party may at any time give notice in writing to any other party of any change of address.

20. ARBITRATION

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by Franchisor, or its subsidiaries or Affiliates, and Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, shall be submitted to final and binding arbitration before a single arbitrator as the sole and exclusive remedy for any such controversy or dispute. **“Persons in privity”** with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in or near Aurora, Illinois. However, arbitration will not be required to be used for any dispute which involves Franchisee’s continued usage of any of the Marks or the System, business concept or any issue involving injunctive relief against Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues may be submitted to a court within the State of Illinois. The parties expressly consent to personal jurisdiction in the State of Illinois and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

20.2 The parties shall agree on one arbitrator selected from a panel of neutral arbitrators provided by the American Arbitration Association, and such arbitrator shall be chosen by the striking method. In the event the parties cannot agree on a single arbitrator, each party

will select one arbitrator and the two so chosen will select a third who will act as the arbitrator in the case. Subject to the provisions of Section 21.3, the parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The award or decision of the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

20.3 Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

20.4 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees or licensees.

21. CONDEMNATION AND CASUALTY

21.1 The Franchisee shall promptly advise the Franchisor upon the Franchisee's receipt of a notice of default or termination under the Franchisee's Lease or mortgage, and shall promptly provide the Franchisor a copy of the notice. The Franchisee shall also give the Franchisor notice of any proposed taking of the Branded Facility or Shared Facility, as the case may be, or any portion thereof through the exercise of the power of eminent domain at the earliest possible time. If the Business or a substantial part thereof is to be taken, the Business may be relocated within the area specified in **Attachment A**, or elsewhere with the Franchisor's written approval in accordance with the Franchisor's relocation procedures. If the Franchisee opens a new business as provided above at another location in accordance with the Franchisor's standards and general specifications within one year of the closing of the old Business, the new Business shall be deemed to be the Business licensed under this Agreement. If a condemnation, Lease termination or mortgage default takes place and a new Business does not, for any reason, become the Business as provided in this Section 21.1, then the License shall terminate upon notice by the Franchisor.

21.2 If the Business is damaged, the Franchisee shall expeditiously repair the damage. If the damage or repair requires closing the Business, the Franchisee shall immediately notify the Franchisor in writing, and shall:

- (a) Relocate the Business as provided in Subsection 21.1; or

(b) Repair or rebuild the Business at the Branded Facility or Shared Facility, as the case may be, in accordance with the Franchisor's then existing standards and general specifications, and reopen the Business for continuous business operations as soon as practicable (but in any event within 12 months after closing the Business at the Branded Facility or Shared Facility, as the case may be), giving the Franchisor 30 days advance notice of the date of reopening.

21.3 If the Business is not (or, in the opinion of the Franchisor cannot be) reopened in accordance with this Section 21.3, or relocated pursuant to Section 21.1, the License shall terminate upon notice to the Franchisee.

21.4 The Term will not be extended by any interruption in the Business's operations, except for an act of God that results in the Business being closed not less than 60 days nor more than 180 days. The Franchisee must apply for any extension within 30 days following the reopening of the Business. No event during the Term will excuse the Franchisee from paying Royalty Fees or National Marketing and Promotional Fees as provided in this Agreement.

22. MISCELLANEOUS

22.1 Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Illinois, which laws shall prevail in the event of any conflict of law; provided, however, the parties expressly agree that this Agreement is not intended to confer on any franchisee that is not a resident of the State of Illinois the benefit of the Illinois Franchise Disclosure Act of 1987, or any other Illinois law providing specific protection to franchisees residing in the State of Illinois. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

22.2 If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs, arbitration costs, and all of the prevailing party's expenses in connection with any action at law.

22.3 No failure, forbearance, neglect or delay of any kind on the part of Franchisor in connection with the enforcement or exercise of any rights under this Agreement shall affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by Franchisee or Franchisor's other franchisees shall preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by Franchisor of performance of any provision of this Agreement shall constitute or be implied as a waiver of Franchisor's right to

enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding upon Franchisee or Franchisor or effective unless in writing signed by Franchisee and Franchisor's CEO, President or Vice President, except that a waiver need be signed only by the party waiving.

22.4 This Agreement, together with the Manual, any written related agreements, all Exhibits, Attachments, and the State-Specific Addenda attached to the Disclosure Document as **Exhibit E**, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, License, System or Business. There are no representations, inducements, promises and/or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise; provided, however, nothing in this Section 22.4 shall be construed to disclaim the representations made by Franchisor in Franchisor's Franchise Disclosure Document.

22.5 The headings of the sections hereof are for convenience only and do not define, limit or construe the contents of the sections of such Sections or other Sections. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, limited liability company, a partnership or other business entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine. The term Lease shall include a sublease, and a renewal or extension of a lease or sublease. Time shall be of the essence of this Agreement and of every part thereof.

22.6 When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded; if the last day of such period is a non-business day, the period in question shall end on the next business day. Time shall be of the essence of this Agreement and of every part thereof.

22.7 Neither party hereto shall be liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes and civil commotion, or acts of God ("**Force Majeure Event**"). Any such delay shall extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees and National Marketing and Promotions Fees when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may, in its sole discretion, elect to waive the Royalty Fees and National Marketing and Promotions Fees during the period of delay caused by the Force Majeure Event or such shorter period.

22.8 Franchisee shall execute and deliver such further instruments, contracts, forms and other documents, and shall perform such further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein contained. Franchisee hereby irrevocably appoints Franchisor as his attorney, and hereby empowers it to execute such instruments regarding the Marks for and in Franchisee's name in order to give full effect to Sections 10, 12, 15, and 18 of this Agreement. Franchisee hereby declares that the

powers of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

22.9 This Agreement shall be binding upon, and subject to Section 15 hereof, shall inure to the benefit of, Franchisee's successors and permitted assigns.

22.10 This Agreement may only be modified or amended by a written document executed by Franchisee and Franchisor. Franchisee acknowledges that Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Manual unilaterally under any conditions and to the extent in which Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks, and the quality of the System. Notwithstanding anything herein to the contrary, Franchisor shall have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee shall comply therewith as so modified.

22.11 From time to time, Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

23. ACKNOWLEDGEMENT

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

FRANCHISEE ACKNOWLEDGES THAT:

1. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT IS BINDING ON FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

2. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN 5 FULL BUSINESS DAYS, DURING WHICH TIME FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT SAME FOR PROFESSIONAL REVIEW AND ADVICE OF FRANCHISEE'S CHOOSING PRIOR TO FREELY EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE FRANCHISOR'S BUSINESS AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE.

3. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS. FRANCHISEE

HEREBY ASSUMES THE RESPONSIBILITY FOR ITS SUCCESS OR FAILURE OF THE BUSINESS VENTURE.

4. FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL PURCHASES, SALE, COST, EARNINGS, INCOME OR PROFITS TO FRANCHISEE.

5. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY ASSURANCE, WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

This entire Agreement, including corrections, changes, and all attachments and addenda, will only be binding upon Franchisor when executed or initialed by Franchisor's authorized representative.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

HOUSE OF SPEED FRANCHISING, LLC

Date: _____

By: _____

Title: _____

FRANCHISEE:

Date: _____

Individually

OR:

(if a corporation or partnership)

Company Name

Date: _____

By: _____

Title: _____

STATE OF _____
COUNTY OF _____

Be it remembered, that on this ____ day of _____ 20____, before me, the subscriber, a Notary Public in and for said State, personally appeared _____ to me personally known and known to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year last aforesaid.

My Commission Expires:

Notary Public

STATE OF _____
COUNTY OF _____

Be it remembered, that on this ____ day of _____ 20____, before me, the subscriber, a Notary Public in and for said State, personally appeared _____, president/general partner/managing member of _____, the corporation/partnership/other entity (A business entity whose name is subscribed to and which executed the foregoing instrument, and for himself or herself and as such officer and for and on behalf of said business entity, acknowledged the signing and execution of said instrument, and that the signing and execution of said instrument is his or her free and voluntary act and deed as such officer, and the free and voluntary act and deed of said business entity, for the uses and purposes in said instrument mentioned).

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year last aforesaid.

My Commission Expires:

Notary Public

**ATTACHMENT A
TO FRANCHISE AGREEMENT
GENERAL FRANCHISE TERMS**

1. **Territory.**

The Territory set forth in Section 4.1 of the Agreement shall be:

2. **Initial Franchise Fee.** Franchisee shall pay to Franchisor an Initial Franchise Fee of Thirty Nine Thousand Five Hundred Dollars (\$39,500), due and payable at the time of execution of the Franchise Agreement.

3. **Initial Training Program Fee.** Franchisee shall pay to Franchisor an Initial Training Program Fee of Twenty Thousand Dollars (\$20,000), due and payable at the time of execution of the Franchise Agreement.

4. **Start-Up Advertising Expense.** Franchisee shall pay to Franchisor the Start-Up Advertising Expense of Thirty Thousand Dollars (\$30,000), due and payable at the time of execution of the Franchise Agreement.

5. **Training Equipment and Technology Fee.** Franchisee shall pay to Franchisor the Training Equipment and Technology Fee of Twenty Five Thousand Dollars (\$25,000), due and payable forty-five (45) days prior to Franchisee's scheduled grand opening date.

6. ***[If applicable]* Additional Territory.** The Additional Territory shall be : _____

_____.

7. ***[If applicable]* Additional Territory Fee.** Franchisee shall pay to Franchisor an Additional Territory Fee as follows, which shall be due and payable at the time of execution of the Franchise Agreement.

_____ Fifteen Thousand Dollars (\$15,000)

_____ Thirty Thousand Dollars (\$30,000)

_____ Forty Five Thousand Dollars (\$45,000)

_____ Sixty Thousand Dollars (\$60,000)

FRANCHISOR:

FRANCHISEE:

HOUSE OF SPEED FRANCHISING, LLC

By: _____

By: _____

Title: _____

Title: _____

**ATTACHMENT B
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement executed between _____ and House of Speed Franchising, LLC (“**Franchisor**”) on _____, 20__ (“**Agreement**”) each of the undersigned hereby personally and unconditionally:

1. Guarantees to Franchisor and its successors and assigns, for the Term, including renewals thereof, that _____ (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including but not limited to the terms of Section 14.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

6. His or her direct and immediate liability under this guaranty shall be joint and several;
7. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
8. Such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
9. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any

way modify or amend this guaranty, which shall be continuing and irrevocable during the Term, including renewals thereof.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS

GUARANTOR(S)

ACKNOWLEDGMENT

Franchisee, and its shareholders and partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED on this ____ day of _____ 20__.

FRANCHISOR:

HOUSE OF SPEED FRANCHISING, LLC

By: _____

Its: _____

FRANCHISEE:

By: _____

Its: _____

_____ an Individual

_____ an Individual

**ATTACHMENT C
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee:

Trade Name (if different from above):

**Form of Ownership
(Check One)**

Individual **Partnership** **Corporation** **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

The following is a list of all of Franchisee's Principals described in and designated pursuant to the Franchise Agreement, except those who have been designated as Controlling Principals:

The following is a list of all of Franchisee's Controlling Principals described in and designated pursuant to the Franchise Agreement:

Franchisee acknowledges that this Statement of Ownership applies to the Speed Training Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

Date

Name

**ATTACHMENT D
TO FRANCHISE AGREEMENT**

**BY AND BETWEEN HOUSE OF SPEED FRANCHISING, LLC
AND
_____ (“FRANCHISEE”)**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby authorizes House of Speed Franchising, LLC (“**Company**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions.

Depository

Branch

Address

City, State, Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor

Depository

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

**ATTACHMENT E
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND
TELEPHONE LISTINGS AND INTERNET ADDRESSES**

THIS ASSIGNMENT is entered into this ____ day of _____ 20____, in accordance with the terms of the House of Speed Franchising, LLC Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”) and House of Speed Franchising, LLC (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Speed Training Business (“**Franchise Business**”) located _____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) and (2) those certain Internet website addresses (“**URLs**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “**Telephone Company**”) and/or Franchisee’s Internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings and URLs upon such termination or expiration and that such

assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

ASSIGNOR:

HOUSE OF SPEED FRANCHISING, LLC

By: _____

By: _____

Its: _____

Its: _____

**ATTACHMENT F
TO FRANCHISE AGREEMENT**

ADDENDUM TO LEASE

This Addendum to Lease, dated _____, 20____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated _____, 20____, and pertaining to the premises located at _____ (“**Lease**”).

B. Lessor acknowledges that Lessee intends to operate a Speed Training Business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with House of Speed Franchising, LLC (“**Franchisor**”) under the name “House of Speed®” or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

2. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or Franchisor’s parent, subsidiary, or affiliate, (including another franchisee) at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment F-1**. However, no assignment shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor’s parent unless and until the Lease is assigned to, and accepted in writing by, Franchisor or Franchisor’s parent, subsidiary or affiliate. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Landlord’s consent in accordance with Section 4(a).

3. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Section 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

House of Speed Franchising, LLC
301 Snow Street
Sugar Grove, Illinois 60554
Phone: 1-877-827-7333
Fax: _____

and a copy (which shall not constitute Notice) to:

Kevin Hein, Esq.
Faegre & Benson, LLP
1700 Lincoln Street, Suite 3200
Denver, Colorado 80203
Phone: (303) 607-3500
Fax: (303) 607-3600

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent, which shall be granted or denied in Franchisor's sole discretion, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

4. Termination or Expiration.

(a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign the Lease to a new franchisee without Landlord's consent and to be fully released from any and all liability to Landlord

upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Landlord will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the House of Speed® marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

5. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment F-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

6. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business.

7. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third party beneficiary of this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

By: _____

Title: _____

By: _____

Title: _____

**ATTACHMENT F-1
TO FRANCHISE AGREEMENT**

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the ____ day of _____ 20__ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”), hereby assigns, transfers and sets over unto House of Speed Franchising, LLC (“**Assignee**”) all of Assignor’s right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A** (“**Lease**”) with respect to the premises located at _____ . This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a Speed Training Business between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

[Signatures on following page]

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Its: _____

ASSIGNEE:

HOUSE OF SPEED FRANCHISING, LLC, a
Colorado limited liability company

By: _____

Its: _____

EXHIBIT A

LEASE

With Respect to Premises Located at:



EXHIBIT C

HOUSE OF SPEED FRANCHISING, LLC

**LIST OF CURRENT FRANCHISEES
AND
FORMER FRANCHISEES**

As of December 31, 2008

EXHIBIT C

LIST OF FRANCHISEES AND FORMER FRANCHISEES

Current Franchisees as of December 31, 2008

CALIFORNIA

House of Speed/Orange County
Owner- Denny Spruce
Phone- 949-500-0015 (C)
1962 Port Edward Place
Newport Beach, CA 92660
denny.spruce@houseofspeed.com

House of Speed/Pasadena
Owner- Jamie DeRose
Phone- 818-317-8084 (C)
818-248-FAST (O)
2105 Earnslow Dr.
LaCanada, CA 91011
jamie.derose@houseofspeed.com

ILLINOIS

House of Speed/Edwardsville
Owner- Bill Hennig
Phone- 618-789-0113 (C)
210 Nicole Court
Glen Carbon, IL 62034
bill.hennig@houseofspeed.com

House of Speed/Joliet
Owner- Jeff Berg
Phone- 815-210-7367 (C)
707 Forrest Dr.
Marsielles, IL 61341
jeff.berg@houseofspeed.com

MARYLAND

House of Speed/Montgomery County
Owner- Ramsey Williams
Phone- 240-620-3417 (C)
7314 Rosewood Manor Lane
Gaithersburg, MD 20882
ramsey.williams@houseofspeed.com

OHIO

House of Speed/Cleveland
Owner- Paul Li
Phone- 330-564-3910
16146 Ravenna Rd.
Burton, OH 44021
paul.li@houseofspeed.com

TEXAS

House of Speed/Houston
Owner- Ron Graham
Phone- 281-773-5463(C)
8400 Timber Creek Dr.
Pike Road, AL 36064
ron.graham@houseofspeed.com

VIRGINIA

House of Speed/Fairfax
Owner- Fred McDannell
Phone- 703-754-3759 (C)
13421 Dairy Court
Bristow, VA 20136
fred.mcdannell@houseofspeed.com

WISCONSIN

House of Speed/Appleton
Owner- Andy Bos
Phone- 920-851-7677 (C)
W1815 Van Asten Rd.
Kaukauna, WI 54130
andy.bos@houseofspeed.com

House of Speed/Burlington
Owner- Wes Courier, Jr.
Phone- 262-745-4315 (C)
W7080 Savannah Lane
Delavan, WI 53115
wes.courier@houseofspeed.com

House of Speed/Green Bay
Owner- Scotty Smith
Phone- 920-619-3619
5964 Woodbrook Circle
Little Suamico, WI 54141 (C)
scotty.smith@houseofspeed.com

House of Speed/Milwaukee
Owner- Wheaton Franciscian Healthcare
Phone- 414-841-1331 (C)
1126 S. 70th St., Suite S 305 B
West Allis, WI 53214
dan.cresco@houseofspeed.com

House of Speed/Waukesha
Owner- Wheaton Franciscian Healthcare
Phone- 414-841-1331 (C)
1126 S. 70th St., Suite S 305 B
West Allis, WI 53214
dan.cresco@houseofspeed.com

Former Franchisees

We have no former franchisees because no franchisees have left our System.



EXHIBIT D

HOUSE OF SPEED FRANCHISING, LLC

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

EXHIBIT D**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Corporations 71 Stevenson Street, Suite 2100 San Francisco, CA 94105-2980 415-972-8559 1-866-275-2677	Corporations Commissioner 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 44 Capitol Avenue Hartford, CT 06106 203-240-8299	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 651-296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1230 "O" Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222	Secretary of State of New York 41 State Street Albany, New York 12231 Mrs. Lassoff 212-416-8236 Mr. Grimes 212-416-8235
NORTH CAROLINA	Secretary of State's Office/Securities Division Legislative Annex Building 300 Salisbury Street Raleigh, NC 27602 919-733-3924	Secretary of State Secretary of State's Office 300 Salisbury Street Raleigh, NC 27602
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Center – Building 69-1 Cranston, RI 02920 401-222-3048	Director of the Rhode Island Department of Business Regulation Rhode Island Attorney General 1511 Pontiac Avenue John O. Pastore Center – Building 69-1 Cranston, RI 02920
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	Department of Commerce and Regulation Division of Securities State of South Dakota 445 E. Capitol Avenue Pierre, SD 57501-3185 605-773-4823	Director of South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address



EXHIBIT E

HOUSE OF SPEED FRANCHISING, LLC

STATE-SPECIFIC ADDENDA

EXHIBIT E

TO DISCLOSURE DOCUMENT OF HOUSE OF SPEED FRANCHISING, LLC

STATE LAW ADDENDA TO

FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the House of Speed Franchising, LLC Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated _____, 20__.

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the UFDD.

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

The Franchise Agreement contains a covenant not to compete which, in the case of the Franchise Agreement, extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims if you transfer your Franchise or your Area Development Agreement. California corporations code § 31512 voids a waiver of your rights under the franchise investment law (California corporations code §§ 31000 through 31516). Business and professions code § 20010 voids a waiver of your rights under the franchise relations act (business and professions code §§ 20000 through 20043).

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of the Franchise Agreement.

Neither the Franchisor nor any person disclosed in ITEM 2 of the UFDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

The Franchise Agreement provides for termination in the event of bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 *et seq.*)

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Denver, Colorado, with the costs being borne equally by the parties.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Colorado. This provision may not be enforceable under California law.

ITEM 5 and the Franchise Agreement are amended to defer payment of the Initial Franchise Fee until the Franchisor has completed its pre-opening obligations under the Franchise Agreement.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS at www.corp.ca.gov.

The financial performance representations figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should contact an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS 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 THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, 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 US AND YOU.

The following list reflects the status of the franchise registrations of Franchisor in the states which require registration:

1. This proposed registration is effective in the following states:

Illinois, Nebraska, Texas and Wisconsin

2. This proposed registration is or will shortly be on file in the following states:

None

3. States which have refused, by order or otherwise, to register these franchises are:

None

4. States which have revoked or suspended the right to offer the franchises are:

None

5. States in which the proposed registration of these franchises has been withdrawn are:

None

ILLINOIS

Sections 4 and 41 and Rule 609 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The Disclosure Document and Franchise Agreement are amended accordingly.

The governing law or choice of law clause described in the Disclosure Document and contained in the Franchise Agreement may not be enforceable under Illinois law. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly.

Section 5(2) of the Illinois Franchise Disclosure Act requires 14 calendar days' disclosure prior to the signing of a binding agreement or the payment of any fees to us. ITEM 23 of the Disclosure Document is amended accordingly, to the extent required by Illinois law.

Item 17.v, Choice of Forum, of the Disclosure Document is revised to include the following:

provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.

Item 17.w, Choice of Law, of the Disclosure Document is revised to include the following:

provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.

The termination and non-renewal provisions in the Franchise Agreement and Disclosure Document may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

INDIANA

The "Summary" column in Item 17.r. of the Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The "Summary" column in Item 17.t. of the Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in Item 17.v. of the Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Colorado.

This language has been included in this Disclosure Document as a condition to registration. Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all

venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Colorado law applies.

The first sentence in Section 20.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement shall be interpreted under the laws of the State of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Colorado, which laws shall prevail in the event of any conflict of law.

Section 14.2(b) of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

14.2(b) Non-Competition. Upon termination or expiration of the Term or any renewal Terms, or the transfer, sale or assignment of this Agreement by Franchisee, neither Franchisee, the Designated Business Manager nor Franchisee’s Principals will have any direct or indirect interest (*i.e.* through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any Competitive Business in the Territory.

Section 19.1 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

19.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by Franchisor, or its subsidiaries or affiliates, and Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. “**Persons in privity**” with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other

family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in the State of Colorado. However, arbitration will not be used for any dispute which involves Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues will be submitted to a court within the State of Indiana. The parties expressly consent to personal jurisdiction in the State of Indiana and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

This language has been included in this Franchise Agreement as a condition to registration. Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The first paragraph of Section 6 of the Nondisclosure And Noncompetition Agreement is hereby deleted in its entirety and the following is substituted in its place:

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating in the Territory.

Section 11 of the Nondisclosure And Noncompetition Agreement is hereby deleted in its entirety and the following is substituted in its place:

11. Governing Law. Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this instrument shall be governed by and construed under the laws of the State of Colorado.

Section 12 of the Nondisclosure And Noncompetition Agreement is hereby deleted in its entirety and the following is substituted in its place:

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Indiana, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Indiana. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Indiana. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's law shall control.

MARYLAND

Item 17 of the Disclosure Document and sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, shall not apply to liability under the Maryland Franchise Registration and Disclosure Law.

Representations in the Statement of Franchisee and the Acknowledgement therein are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Disclosure Document and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

Item 17 of the Disclosure Document is hereby amended to the extent required under the Maryland Franchise Registration and Disclosure Laws.

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

Item 5 and Section 5.1 of the Franchise Agreement are amended to state that the franchisor has elected to defer, until the pre-opening obligations of the franchisor have been completed, the franchisee's payment of all fees and payments for services or goods received from the franchisor or any affiliate before the franchisee's business opens.

MICHIGAN

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

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

- (a) A prohibition on your right to join an association of franchisees.

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

(c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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) you are 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 you do not receive at least 6 months' advance notice of our intent not to renew the franchise.

(e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us 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 our then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

The following language must amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Disclosure Document and agreement(s):

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or agreement(s) can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or the franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Item 13 of the Disclosure Document and Section 10.3(a) of the Franchise Agreement are amended to state that we will protect you against claims of infringement or unfair competition regarding your use of the Marks when your right to use the Marks requires protection.

The Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require, except in certain specific cases, that you be given 90 days' notice of terminate on (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

As a condition of registration, we have agreed to defer payment of Initial Franchise Fees payable from Minnesota Franchisees until the Minnesota Franchisee opens for business. Items 5, 7 and the Franchise Agreement are modified accordingly.

NEW YORK

Item 3 of the Disclosure Document is modified to read as follows:

Neither House of Speed Franchising, LLC, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under House of Speed Franchising, LLC's principal trademark has an administrative, criminal or civil action pending against it alleging a fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

Neither House of Speed Franchising, LLC, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under House of Speed Franchising, LLC's principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging a violation of a franchise, antifraud or securities law; fraud, embezzlement fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither House of Speed Franchising, LLC, its predecessor, a person identified in ITEM 2, or an affiliate offering franchises under House of Speed Franchising, LLC's principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a 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 injunction or restrictive order relating to any business activity as a result of an action brought by a public agency or department, including without limitation, an action affecting a license as a real estate broker or sales agent.

Item 4 of the Disclosure Document is modified to read as follows:

Neither House of Speed Franchising, LLC, its affiliate, its predecessor, officers or general partner during the ten-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code during or within one year after the officer or general partner of Franchisor held this position in the company or partnership.

The following sentence is added to the end of the first paragraph of ITEM 5 of the Disclosure Document:

We use the proceeds from your payment of the Initial Franchise Fee to defray our costs and expenses for providing training and assistance to you and for other expenses.

The first paragraph of ITEM 17 of the Disclosure Document is modified to read as follows:

THESE TABLES LIST CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Item 17.w. of the Disclosure Document is revised to read as follows:

The foregoing choice of law should not be considered a waiver of any right conferred upon either Franchisor or upon Franchisee by the GBL of the State of New York, Article 33. This language has been included in this Disclosure Document as a condition of registration.

Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.

The following shall be added at the end of Section 14.04(b) of the Franchise Agreement:

Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law (GBL) 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 provision of GBL 687.4 and 687.5 be satisfied.

Section 12.3 is added to the Franchise Agreement as follows:

Notwithstanding Section 12.2, Franchisee shall not be required to indemnify Franchisor for any liabilities which arose as a result of Franchisor's breach of this Agreement or other civil wrongs committed by Franchisor.

The following shall be added to Section 20.1 of the Franchise Agreement:

However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law. This language has been included in this Disclosure Document as a condition of registration.

Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law provisions and other dispute resolution provisions.

FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE DISCLOSURE DOCUMENT ANY MATERIAL FACT, NOR DOES THE DISCLOSURE DOCUMENT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

Sections of the Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement and Non-Disclosure and Non-Competition Agreement contain a covenant not to compete which may not be enforceable under North Dakota law.

Sections of the Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section of the Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Disclosure Document as a condition to registration. Franchisor and Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, is fully enforceable. Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for House of Speed Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

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

The third sentence of the third paragraph of the FTC Cover Page is amended to state:

“You must receive this disclosure document at least 14 days before you sign a binding agreement or make any payment in connection with the franchise sale or grant.”

The first sentence of the second paragraph of both Receipt Pages is amended to state:

“If House of Speed Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, House of Speed Franchising, LLC or an affiliate in connection with the proposed franchise sale or grant.”

WASHINGTON

Arbitration shall take place in the state of Washington, but only if “in-state” arbitration is a valid requirement of the Washington Franchise Investment Protection Act.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

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

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or disclosure document, and (b) is open for business.

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the ____ day of _____, 20__, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this _____ day of _____, 20__.

FRANCHISOR:

FRANCHSEE:

HOUSE OF SPEED FRANCHISING, LLC

By: _____

By: _____

Title: _____

Title: _____



EXHIBIT F

**HOUSE OF SPEED FRANCHISING, LLC
OPERATIONS MANUAL TABLE OF CONTENTS**

EXHIBIT F

OPERATIONS MANUAL TABLE OF CONTENTS

Introduction.....	9 pages
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Accounting.....	15 pages
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Marketing.....	10 pages
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EXHIBIT G

HOUSE OF SPEED FRANCHISING, LLC

**NON-DISCLOSURE AND NON-COMPETITION
AGREEMENT**

EXHIBIT G

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“**Agreement**”) is made and entered into this ____ day of _____, 20__ by and between **House of Speed Franchising, LLC**, an Illinois limited liability company (“**Company**”), located at 301 Snow Street, Sugar Grove, Illinois 60554, and _____ (“**Associate**”), who resides or has a principal place of address at _____.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of a business offering speed and agility training for athletes of all ages and skill levels, and the sale of products related to such training (“**Franchise Business**”). The Franchise Business is operated under the Company’s trademark “HOUSE OF SPEED®” and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively “**Marks**”).

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company (“**Confidential Information**” and “**Trade Secrets**”) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company.

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System, which goodwill and reputation have been and will continue to be of major benefit to the Company.

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, manager, employee, Designated Business Manager, third-party affiliate or as a beneficial owner of the Franchise Business, or is an immediate family member of a principal owning an interest in the Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee’s Obligations form.

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company’s willingness to allow Associate to engage in a business relationship with Company or a franchisee of the Company using the Company’s Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

Definitions.

(a) “**Associate**” shall mean the individual or entity described on page 1 of this Agreement and the Associate’s managers, officers, beneficial owners, directors, employees, partners, members, principals and immediate family members and domestic partners.

(b) “**Competitive Business**” as used in this Agreement means any business operating in competition with or similar to the Franchise Business which offers speed and agility training to athletes of all ages and skill levels; provided, however, Associate will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) “**Confidential Information**” shall mean without limitation, all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies, speed and agility training techniques and strategies, and any other data and information which the Company or its affiliates designates as confidential including all information contained in the Company’s Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its affiliates, which may be changed or supplemented from time to time.

(d) “**Franchise Agreement**” shall mean the franchise agreement between Company and _____ dated _____ as amended or renewed from time to time.

(e) “**Territory**” shall have the meaning defined in the Franchise Agreement.

(f) “**Term**” shall have the meaning defined in the Franchise Agreement.

(g) “**Trade Secret(s)**” shall mean information, including a formula, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Company acknowledge that the Confidential Information and Trade Secrets which is developed and utilized in connection with the operation of the Franchise Business is unique and the exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and

would cause irreparable injury and harm to the Company or its affiliates. Associate further acknowledges that the Company or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information and Trade Secrets. During the Term and any renewal Term of the Franchise Agreement and for a period of 2 years after the expiration or termination of the Franchise Agreement (unless such information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as such information constitutes a Trade Secret), Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information or Trade Secrets of the Company or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to the Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession free of any obligation of confidence at the time it was communicated to the Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Associate is legally compelled to disclose the information, if the Associate has notified the Company before disclosure and used the Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

5. Noncompetition Covenant. Associate acknowledges that the Company must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with the Company. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the Franchise Business licensed under the Franchise Agreement, Associate, will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchise Business, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating: (a) in the Territory or any other franchisee's territory; (b) within 100 miles of the Territory or any other franchisee's Territory; or (c) within 100 miles of any Company or Company's affiliate owned Franchise Business.

The restrictions of this Section 6 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

The parties have attempted in this Agreement to limit the Associate's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Sections 5 and 6 are disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Sections 5 and 6 to the extent that it deems necessary to make such provisions enforceable under applicable law. THE ASSOCIATE EXPRESSLY ACKNOWLEDGES THAT THE ASSOCIATE POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE ASSOCIATE OF THE ABILITY TO EARN A LIVING.

7. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds. Associate's sole remedy, in the event of the entry of such injunctive relief, shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose any such Confidential Information and Trade Secrets in any circumstances.

8. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Governing Law. This instrument shall be governed by and construed under the laws of the State of Colorado.

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

13. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

14. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

ASSOCIATE:

HOUSE OF SPEED FRANCHISING, LLC

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____



EXHIBIT H

HOUSE OF SPEED FRANCHISING, LLC

STATEMENT OF FRANCHISEE

EXHIBIT H

STATEMENT OF FRANCHISEE

[Note: Dates and Answers Must be Completed in the Prospective Franchisee’s Own Handwriting]

In order to make sure that no misunderstanding exists between you, Franchisee, and us, House of Speed Franchising, LLC, also called “House of Speed,” the “Franchisor” or “we”) and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

	Date	Initials	
1.	_____, 200__	_____	The date on which I received a Franchise Disclosure Document regarding the Speed Training Business.
2.	_____, 200__	_____	The date of my first face-to-face meeting with Marketing Representative to discuss a possible purchase of a Speed Training Business.
3.	_____, 200__	_____	The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.
4.	_____, 200__	_____	The date on which I signed the Franchise Agreement.
5.	_____, 200__	_____	The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor.

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and House of Speed, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of House of Speed, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

3. Except as described in ITEM 19 of Franchisor's Franchise Disclosure Documents, no oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from the Speed Training Business was made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written Addendum signed by me and House of Speed:

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and House of Speed has strongly recommended that I obtain such independent advice. I have also been strongly advised by House of Speed to discuss my proposed purchase of Speed Training Business with any existing House of Speed franchisees prior to signing any binding documents or paying any sums and House of Speed has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a Speed Training Business or any other franchise is a speculative

investment; c) investment beyond that outlined in the Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any Speed Training Business, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform House of Speed (Phone: (1-877-827-7333) and our president.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE:

MARKETING REPRESENTATIVE:

_____ Date

_____ Date

REVISED BY FRANCHISOR:

By: _____

Title: _____

Date: _____



EXHIBIT I

HOUSE OF SPEED FRANCHISING, LLC SUMMARY OF INDUSTRY SPECIFIC LAWS

EXHIBIT I

SUMMARY OF SPECIAL LAWS AND REGULATIONS

The business of operating a company specializing in offering speed and agility training for athletes ages 8 and up with all skill levels, and the sale of products related to such training is subject to all of the laws, codes and regulations (referred to below generally as “laws”) normally applicable to businesses serving children and adults in an exercise-related environment. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

- 1. Industry Specific.** A number of states have licensing and permitting laws and regulations that may be applicable to the Speed Training Business. For example, many jurisdictions have daycare or childcare laws which require licensing, bonding, insurance, compliance with certain building codes, safety regulations, maximum teacher or student ratios, hours of operation, health requirements (*e.g.* immunizations), instructor licensing, fingerprinting, criminal background checks, and other similar requirements. It is possible that your Speed Training Business could be required to comply with one or more of these requirements in your jurisdiction. In addition, you must comply with all zoning laws and regulations applicable to the Speed Training Business.

If you are permitted to sell nutritional supplements at your Speed Training Business, the United States Department of Agriculture and the Food and Drug Administration (“FDA”) regulates the manufacture, labeling and distribution of food products and the labeling of nutrition supplements.

The FDA issues warnings regarding specific products through “Talk Papers” and press releases that advise the public about health concerns. The FDA also implements regulations and promotes the passage of laws that classify certain drugs or ingredients as “Controlled Substances,” or what the FDA calls “New Drugs.”

Certain dietary supplements - vitamins, herbs, minerals and amino acids - are not subject to pre-market safety evaluations by the FDA because they are considered “food” rather than “drugs” under the 1994 Dietary Supplement Health and Education Act. The law does require that dietary supplements meet the requirements of other safety provisions. The law and its accompanying regulations define dietary supplements and dietary ingredients; establish a framework for ensuring product safety; outline guidelines for the display of sales and informational literature where supplements are sold; provide for the use of claims and statements of nutritional support; require the labeling of ingredients and nutrition information; and grant the FDA the authority to establish good manufacturing practice regulations.

2. **Federal.** Examples of other federal laws affecting many small businesses are wage and hour, occupational health and safety, equal employment opportunity, taxes, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.
3. **State.** State laws may cover the same topics as federal laws. Examples of other state laws affecting many small businesses include environmental, occupational health and safety, fire, taxes, health, and building and construction laws.
4. **Local.** Local laws may cover the same topics as federal and state laws. Examples of other local laws affecting many small businesses include health and sanitation, building codes, fire codes, permits, and waste disposal.

The foregoing are examples of some, but not all, of the laws that may be applicable to the Speed Training Business described in the Disclosure Document. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, Franchisee. You should research these requirements before you invest.



EXHIBIT J

HOUSE OF SPEED FRANCHISING, LLC

RECEIPT

EXHIBIT J
RECEIPT
(Retain This Copy)

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

If House of Speed Franchising, LLC (HOSF) offers you a franchise, HOSF must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, HOSF or an affiliate in connection with the proposed franchise sale or grant. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, HOSF must provide this disclosure document to you at your first personal meeting to discuss the franchise. Under Maryland law, this disclosure document must be given to you the earlier of the first personal meeting to discuss this franchise or 10 business days before giving any contract or making any payment relating to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on **Exhibit D**.

The name, principal business address and telephone number of each franchise seller offering the franchise:
_____.

Issuance Date: **March 26, 2009**

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

I have received a disclosure document dated **March 26, 2009**, that included the following Exhibits:

- A. Financial Statements, including our unaudited financial statements for the period January through April 2009 and audited financial statements as of December 31, 2006, December 31, 2007, and December 31, 2008
- B. Franchise Agreement
- C. List of Current Franchisees and Former Franchisees
- D. List of State Administrators and Agents for Service
- E. State-Specific Agenda
- F. Operations Manual Table of Contents
- G. Non-Disclosure and Non-Competition Agreement
- H. Statement of Franchisee
- I. Summary of Industry Specific Laws
- J. Receipts

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

Please sign this copy of the receipt, date your signature, and return it to Dan Beebe at 301 Snow Street, Sugar Grove, Illinois 60554.

EXHIBIT J

**RECEIPT
(Our Copy)**

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Date	Signature	Printed Name
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Date	Signature	Printed Name
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