

FRANCHISE DISCLOSURE DOCUMENT

THE GROUT EXPERT FRANCHISING, INC.

A California Corporation
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(800) 296-8056

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The franchisor is offering a franchise license for the operation of a business that will provide grout cleaning, repair, maintenance and replacement under the name "The Grout Expert."

The total investment necessary to begin operation of a The Grout Expert franchise is between **\$23,550** and **\$49,000**. This includes an Initial Franchise Fee of \$10,000 to \$17,500 and an opening chemical inventory of \$1,000 to \$1,125 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Hoang Chieu Nguyen at 308 Sheridan Drive, Menlo Park, CA 94025. Phone: (650) 333-5023.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

THE ISSUE DATE OF THIS DISCLOSURE DOCUMENT IS APRIL 1, 2012.

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 A for information about the franchisor, about other franchisors, 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 THAT THE FRANCHISEE ARBITRATE DISAGREEMENTS WITH THE FRANCHISOR ONLY IN THE STATE OF CALIFORNIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH THE FRANCHISOR IN CALIFORNIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW.
3. BEGINNING IN THE SECOND MONTH OF YOUR OPERATIONS, THE FRANCHISE AGREEMENT REQUIRES A MINIMUM MONTHLY ROYALTY PAYMENT OF \$350 REGARDLESS OF THE TOTAL GROSS RECEIPTS RECEIVED. THIS AMOUNT INCREASES TO \$500 PER MONTH AFTER YOUR 24TH MONTH OF OPERATIONS.
4. 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 make sure to do your own investigation of the franchise.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	May 23, 2011
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	May 23, 2011
New York	September 2, 2011
North Dakota	
Rhode Island	
South Dakota	
Virginia	October 3, 2011
Washington	May 27, 2011
Wisconsin	

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of April 1, 2012.

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

To simplify the language in this Disclosure Document, "we," "us," "our," or "Franchisor" means The Grout Expert Franchising, Inc., the franchisor. "You" means the person(s) who buy(s) the franchise.

The Grout Expert Franchising, Inc. is a California corporation formed on June 18, 2008. Our principal place of business is 308 Sheridan Drive, Menlo Park, California 94025, and our telephone number is (800) 296-8256.

This business began in May 1999, as a proprietorship of Hoang Chieu Nguyen operating under the name Bay Grout. The name was changed to The Grout Expert in 2001. This business continues to offer grout services to consumers through The Grout Expert, Inc. and provides the basis for the business that you will operate under the terms of the Franchise Agreement in the form attached to this Disclosure Document as Exhibit B. Other than The Grout Expert, Inc., we have no affiliates.

We have no parent or predecessor.

We do not offer franchises in the grout cleaning and repair in any name other than The Grout Expert, nor do we offer franchises under any other name or in any other industry.

Our agent for service of process in California is Hoang Chieu Nguyen. Please refer to Exhibit A for information on the agents for service of process in other states where we may be registered.

We grant franchises for the right to market, sell and provide grout cleaning, repair, replacement and restoration services to home owners and the business community. Franchisees will market and operate their businesses under the trade name "The Grout Expert" for which our President, Hoang Chieu Nguyen was granted a Trademark on January 9, 2007, Registration Number 3,196,614. We have been given the exclusive rights to use the mark in franchising by Mr. Nguyen.

Franchisees typically operate from their residence, and they must utilize products from our approved list of manufacturers or vendors. Our website identifies and describes the benefits of our services and lists each of our operating units.

We will teach you our methods for managing your business and assist you in implementing our system of marketing The Grout Expert services. We will assist you in selecting a suitable territory and we will provide procedures for marketing your services to local consumers and businesses; for recruiting employees and for teaching your staff to promote and deliver the grout cleaning and maintenance services offered by the franchise network.

We offer major advantages to persons interested in entering the grout cleaning, repair, maintenance and restoration field. We will provide start-up marketing assistance in your city; and conduct research and analysis of new services and products for you to offer in the future. We award you the right to use our name and logo in your market for soliciting business, in advertising, signage, brochures, letterhead and business cards. We will also add your franchise's contact information to our web site to help you gain name recognition in your community and generate sales leads. While we believe that your affiliation with our system is very beneficial, it does not guarantee that you will develop a successful or profitable business operation.

We have been offering franchises since October 15, 2010. We have not granted franchises in any other lines of business. We, may, in the future, operate The Grout Expert offices in various markets that we do not currently service, but we will not encroach on the territory of a franchisee. We currently operate the website, www.TheGroutExperts.com which promotes our services through the internet. We will add new franchisees' contact information to this website when they are trained and prepared to service their markets.

There are no known state or federal regulations specific to the operation of a The Grout Expert grout repair and maintenance company. You will, however, be required to comply with numerous government regulations affecting the operation of your franchise and your relationship with employees, including minimum wage requirements, overtime, working conditions and citizenship requirements. There may be other laws applicable to your business and we urge you to make further inquiries of your advisors and local government officials about such regulation.

You will compete with other businesses offering similar services. The grout cleaning, repair and maintenance industry is experiencing growth and a proliferation of businesses (and individuals) that offer alternative services and products that are locally, regionally or nationally owned. The industry typically experiences minimal seasonal revenue fluctuations.

ITEM 2 BUSINESS EXPERIENCE

President & Director: Hoang Chieu Nguyen

Since our inception, Mr. Nguyen has served as a member of our Board of Directors, and he currently holds the position of President at our headquarters in Menlo Park, California. From May 1999 until the present, Mr. Nguyen has been active as the founder of The Grout Expert, Inc., which began operations as a proprietorship under the name Bay Grout. He is active in all administrative functions of the company including sales, marketing, estimating, scheduling and job oversight.

Treasurer & Director of Administration: Bichhuyen Thi Pham

Mrs. Nguyen has held the position of Treasurer at our headquarters in Menlo Park, California since our inception. She has served as the Director of Administration of The Grout Expert, Inc., since March 2001.

ITEM 3 LITIGATION

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

ITEM 4 BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code, or comparable foreign law, required to be disclosed in this Item.

ITEM 5 INITIAL FRANCHISE FEE

Except as noted below, you will pay us an Initial Franchise Fee of \$17,500 for your first The Grout Expert franchise, which you will operate within a designated geographic territory consisting of approximately 150,000 households (your "Protected Territory"). The Initial Franchise Fee is calculated at a rate of approximately 11.5 cents per household in your Protected Territory.

For additional The Grout Expert franchises, the Initial Franchise Fee is \$10,000 (calculated at a rate of approximately 6.5 cents per household) if purchased within eighteen (18) months of the purchase of your initial Protected Territory. If purchased after your initial 18-month period, our then-current standard Initial Franchise Fee will apply. Your purchase of additional franchises is contingent upon our approval, and you must be in good standing.

The Initial Franchise Fee must be paid in a lump sum at the time you are ready to open your franchised business and we have completed all of our pre-opening obligations to you. The Initial Franchise Fee is considered fully earned and non-refundable at that time. However, this provision may not be applicable in certain states; please see the State Specific Addenda for your state in Exhibit G to this Disclosure Document.

Founder's Club

As an inducement to the first twenty (20) franchisees to join the network, their Initial Franchise Fee will be reduced to \$10,000. You will not pay us or our affiliate any other fees or payments before your business opens.

ITEM 6 OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty	6% of the first \$150,000 Total Gross Receipts ¹ of your business annually; 5% of the next \$150,000 (\$150,001 - 300,000); 4% of all annual Total Gross Receipts in excess of \$300,000. Starting in the thirteenth month of your operations a minimum monthly Royalty of \$350 / month will be due regardless of the Total Gross Receipts received during the first two years of operation, and a minimum royalty of \$500 / month will be due thereafter regardless of the Total Gross Receipts received. ⁵	Payable monthly by the 10 th day of the following month based on the Royalty Report you must submit. ² Late Fees (defined below) apply if not paid within 7 days after due date.	You must pay Royalties on all funds collected by your business. In a case where you are unable to collect from a customer, no royalty will be due on that amount.
Advertising Fees	.5% of Total Gross Receipts	Payable Monthly by the 10 th day of the following month, based on the Advertising Fund Report that you must submit. ²	We will utilize the Advertising Fund to promote the system's services and to produce advertising media for use in national, regional, and local markets. ³

Late Fees	The lesser of the highest applicable legal rate for open account business credit, or 1.5% per month.	Upon demand	Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of \$50 for each late payment.
Local Advertising	In addition, we require that you spend at least an additional \$2,000 per month on local advertising.	Payable on terms established with local vendors.	None.
Initial Marketing Services	We offer certain marketing services to new franchisees that will introduce your services to your market.	Payment due within 7 days of billing.	Pay vendors directly.
Additional Franchise Management Training	\$750 per person is the current charge for the training of employees in excess of the two provided for in your initial franchise fee.	2 weeks prior to beginning of training.	We train 2 persons free. (See Item 11.)
Call Center	We provide a service offering live operators to schedule estimate appointments. Currently this service costs \$150 per month but we reserve the right to change this fee. The use of this service is mandatory.	Payable monthly with your Royalty	You must permit us to charge a credit card or debit your bank account for this fee. ²
Transfer Fee	Twenty-Five Percent (25%) of the Initial Franchise Fee being charged new franchisees at the time of the transfer.	Prior to consummation of transfer.	Payable when you sell your franchise and includes 2 seats for Franchise Management Training. No charge if the franchise is transferred to a corporation which you own.

Renewal Fee	Ten Percent (10%) of the Initial Franchise Fee being charged new franchisees at the time of the renewal will be due us when you renew your Franchise License at the end of its 10-year term.	30 days before renewal (at the end of your 10 year license).	Payable to us.
Audit	If we audit your books and an underpayment of 3% or more is discovered, in addition to any under payment, you must pay us the cost of the audit plus 18% annual interest (or the maximum amount permitted by law, if less) and 15% of the underpaid royalty.	3 days after billing. ²	Payable by you only if an audit shows an underpayment of at least 3% of gross receipts for any month or if we performed the audit due to your failure to report revenues.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will reimburse us for all costs in enforcing your obligations concerning the Franchise Agreement if we prevail.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business.

All fees are uniformly imposed by and are payable to us, unless otherwise noted. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements.

1. Total Gross Receipts includes all monies received by your franchise exclusive of sales and use taxes.
2. You must permit us to charge any credit card on file or debit your checking account for payment of your Royalty and Advertising Fees based upon reports that you must fax or email to headquarters each month. Interest begins from the date of any underpayment.
3. When 25 franchises are open for business, we have the right to institute a national Advertising Fund and require that you and all franchisees pay .5% of your monthly Total Gross Receipts into the fund. We may in the future require you to pay up to 2% of your Total Gross Receipts into the

fund. We will administer The Grout Expert Franchising Ad Fund with the guidance of a committee consisting of Franchise Owners and our representatives. Such a program will not be initiated earlier than when 25 franchises exist. We will notify all franchisees 90 days before implementing an Advertising Fund and collecting these fees. At such time, if ever, that an Advertising Fund is implemented, we will contribute up to two percent (2%) (or any lower system-wide percentage rate which is identical to that paid by franchisees) of our company-owned, or affiliate-owned, units' revenues to the fund. (See Section 11, Paragraph 8 for further details on the proposed Advertising Fund.)

4. Calculation of the 6% break point will be prorated for the Franchisee's first year of operations.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Item	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$10,000 - \$17,500	Lump Sum	When we have completed our pre-opening obligations to you and you are ready to open your franchised business	Us
Travel & Living Expenses while Training	\$1,500 - \$3,500	As Incurred	During Training	Airlines, Hotels, & Restaurants
Leasehold Improvements ²	\$0 - \$1,500	As Incurred	Before Opening	Vendors
Furniture & Equipment ³	\$1,500 - \$3,000	As Incurred	Before Opening	Vendors
Opening Proprietary Chemical and Tool Package ⁴	\$1,000 - \$1,125	As Arranged	Before Opening	Us
Other Tools and Supplies ⁵	\$250 - \$400	As Incurred	Before Opening	Vendors
Uniform Package	\$100 - \$125	As Arranged	Before Opening	Vendor
Vehicle ⁶	\$0 - \$1,000	As Arranged	Before Opening	Auto Dealer
Vehicle Signs/ Wrap ⁷	\$150 - \$2,500	As incurred	Before Opening	Vendor
Opening Identity Package ⁸	\$250	Before Opening	Before Opening	Vendor
Grand Opening Promotion ⁹	\$2,500 - \$4,000	As Incurred	Before Opening	Us or other Vendors
Insurance ¹⁰	\$300 - \$600	As Arranged	Before Opening	Insurance Provider
Miscellaneous Opening Costs ¹¹	\$1,000 - \$1,500	As Incurred	Before Opening	Vendors
Security and Lease	\$0 - \$2,000	Before	Before Opening	Landlord

Item	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Deposits ¹²		Opening		
Additional Funds ¹³	\$5,000 - \$10,000	As Incurred	During the initial 6-month period	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT¹⁴	\$23,550 - \$49,000			

Note: All amounts are non-refundable unless otherwise noted.

Notes:

- 1 See Item 5 for details on when reductions may apply.
- 2 We anticipate that most franchises will be home-based or operate from a small office or storage area. If you lease space outside your home, you may incur leasehold improvement costs and you will pay ongoing rental fees for the space.
- 3 Equipment includes computer hardware and software, printer, desks, chairs, telephones and file cabinets.
- 4 The Opening Proprietary Chemical and Tool Package includes the following items:

Yellow: GE 101 Degreaser	2	Red: GE 102 Acidic Cleaner	2
Sealer: GES 1	2	2 Grout float (choose by TGE)	2
4" Scraper (special make TGE)	1	Grout removal tool (special make TGE)	1
Stain Kit (Basic 5 color)	1	metal brush	5
Carbide Inserts	5	metal brush and	5
Electric Grout removal	1	Electric grout saw	1

- 5 The other tools and supplies, which you will purchase from a vendor, include items, such as, grout sponges, a grout bucket/lid, a caulk gun, towels, a shop vacuum, a portable wet saw, a grinder, scrapers, gloves, dust masks, drop clothes, hammers, chisels, brooms, etc.
- 6 You will need a car, van or truck in your business. The low-end of the range assumes you already have a suitable vehicle. The high-end of the range assumes you lease a vehicle.
- 7 The cost for magnetic vehicle signs is approximately \$150. A vehicle wrap is optional and will cost approximately \$1,500 - \$2,500.
- 8 The Opening Identity Package includes the following items:

Business cards (1,000)	Comment Cards (100)
Letterhead (500)	Residential Brochures (100)
Estimated Form (200)	Commercial Brochures (100)
"In the Neighborhood" Door Hanger (100)	

- 9 Grand Opening Promotion. We have developed advertising campaigns that will introduce your services to your marketplace. These include fliers and coupon advertising offering homeowners a discount for responding promptly.
- 10 You must purchase the amount of insurance we require. The estimates are for the first 3 months of premiums. The cost of insurance will vary based on policy limits, types of policies procured, geographic location and other factors. See Item 11 and the Manuals for more detail.
- 11 Miscellaneous Opening Costs include costs of office supplies, printed forms, installation of a telephone line, government license fees, and incorporation.
- 12 The figure for "Security Deposits" assumes that you will pay the first and last month's rent and typical utility deposits if you decide to open an office outside your residence.
- 13 Additional Funds estimates the cash or credit lines you should have available when you open your business to cover any expenses that exceed revenues during the first three to six months. These expenses include payments for any support services you may use, but not for you. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your The Grout Expert services; competition; and the sales level reached during the initial period.
- 14 We relied on our management team's experience in grout cleaning, repair, maintenance and replacement and the organizing of grout businesses to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All The Grout Expert franchisees offer the same core menu of services under The Grout Expert name.. You will be required to purchase certain supplies and chemical inventory items from us or other approved suppliers. Our criteria for approving suppliers is available to you upon request, is described in our Operations Manual and is subject to change, in our discretion. Currently, we are the only approved supplier of chemical inventory items. At the present time, other than chemicals, there are no other items that must be purchased from us or for which we are the only approved supplier.

If you wish to offer additional products or services to the public, you must apply for and receive written approval from us before doing so.

You must purchase a computer system in accordance with specifications in Section 7 and customer relationship management (CRM) and accounting software programs that are described in our Operations Manuals. These may be purchased from any vendor that we approve.

You must also purchase software that will permit you to connect to the Internet and to communicate with us and other franchisees through email and attachments and to access websites controlled by us and various vendors.

From time-to-time, we may negotiate for volume discounts that may only be available if you purchase from us but we anticipate that most discounts will also be available when buying directly from the manufacturer.

We do not have any purchasing cooperatives and we do not grant any material benefits to franchisees based on their purchases of any products or services, other than those outlined in the previous paragraph.

You must also purchase letterhead, business cards, signs, marketing materials and supplies in accordance with quality standards set forth in the Operations Manual. These specifications include standards for quality, reliability and delivery. These products may be offered by us but may be purchased from any vendor that we approve.

There are no approved suppliers in which our officers own an interest.

We estimate that less than 20% of your opening purchases will be purchased from us or our affiliates and we anticipate that no more than 10% of your future purchases will be made from us or our affiliates.

Since we have not yet sold any franchises, no part of our income in 2010 came from the sale of products or services to our franchisees.

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 obligation in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition of lease	Sections 2 and 4D of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases	Sections 4 and 5 of Franchise Agreement	Items 6 & 7
c. Initial and ongoing training	Sections 4A & 5A of Franchise Agreement	Item 11
d. Opening	Sections 2, 5B, & 5C of Franchise Agreement	Item 5 & 11D
e. Fees	Section 3 & 6 of Franchise Agreement	Items 5 and 6
f. Compliance with standards, policies and the Operations Manual	Section 5 of Franchise Agreement	Item 11
g. Trademarks and proprietary information	Section 5C of Franchise Agreement	Items 13 and 14
h. Restrictions on products and services offered	Section 5C of Franchise Agreement	Items 8 & 16
i. Warranty and customer service requirements	Section 5B, 5C & 5E of Franchise Agreement	Item 11
j. Territorial development and sales quotas	Section 6A of Franchise Agreement	Item 12

Obligation	Section in Franchise Agreement	Disclosure Document Item
k. Ongoing product/service purchases	Section 5E of Franchise Agreement	Items 8 & 16
l. Maintenance, appearance and remodeling requirements	None	None
m. Insurance	Section 5I of Franchise Agreement	Items 7 and 11
n. Advertising	Section 5G of Franchise Agreement	Items 6 and 7
o. Indemnification	Section 7 of Franchise Agreement	Item 13
p. Owner's participation/ Management/staffing	Section 5B of Franchise Agreement	Item 15
q. Records/reports	Sections 5H, 6A & 6B of Franchise Agreement	Item 6
r. Inspections/audits	Section 5H of Franchise Agreement	Item 6
s. Transfer	Section 11 of Franchise Agreement	Items 6 and 17
t. Renewal	Section 8 of Franchise Agreement	Items 6 and 17
u. Post-termination obligations	Section 10 of Franchise Agreement	Item 17
v. Non-competition covenants	Section 15 of Franchise Agreement	Item 17
w. Dispute resolution	Sections 18 & 20 of Franchise Agreement	Item 17
y. Other (describe)	NA	NA

ITEM 10 FINANCING

We do not offer financing or guarantees of any other costs or leases associated with opening or operating your franchise.

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

Except as listed below, The Grout Expert Franchising is not required to provide you with any assistance.

A. Prior to Opening:

1. We will assign your Protected Territory and protect you from having another franchisee, us, or our affiliates, target the same client base. We will not permit another franchise to operate in or target residents in your Protected Territory. (Franchise Agreement - Paragraph 2 and Addendum A)
2. Within 90 days of your signing the Franchise Agreement, we will provide a 7-day class called **The Grout Expert Academy** to train you and one other person at or near our Menlo Park headquarters.

You may not open your Franchise until at least one member of your management team has successfully completed this training which is available only to Franchisees and General Managers.

Your training is based on our various Manuals. In addition, we will spend three days working with you in your market providing sales training and a recruiting workshop for your prospects. (Franchise Agreement - Paragraph 4, Section A)

The training will include information on topics critical to your success as follows:

TRAINING PROGRAM

Subject	Hours of Class room Training	Hours of On-the-Job Training	Location
Industry Overview, Pricing & Services	1	0	At our headquarters in Menlo Park, CA
Providing a Needs Analysis	1	0	At our headquarters in Menlo Park, CA
Marketing, Advertising & Sales	3	0-5	At our headquarters in Menlo Park, CA or in your city
Grout Cleaning and Coloring Techniques	14	15-25	At our headquarters in Menlo Park, CA or in your city
Grout Replacement Techniques	10	0	At our headquarters in Menlo Park, CA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Administration & Computer Software	1	0	At our headquarters in Menlo Park, CA
Business Plan & Finance	1	0	At our headquarters in Menlo Park, CA
Human Resources	2	0	At our headquarters in Menlo Park, CA
Equipping & Maintaining Your Office	1	0	At our headquarters in Menlo Park, CA
Computer Software & Accounting Techniques	1	0	At our headquarters in Menlo Park, CA
Administration & Finance	1	0	At our headquarters in Menlo Park, CA
Sales & Estimating Jobs	6	0	At our headquarters in Menlo Park, CA

The cost of this training is included in your Initial Franchise Fee but you must pay your travel and living expenses for the 7 days you will spend learning our system. We will provide a training class when one or more franchisees have signed their Franchise Agreements, paid their Initial Franchise Fees, and are ready to begin operations. The majority of the training program is led by our founder, Hoang Chieu Nguyen who has run a grout repair business since 1989. Classroom training occurs at, or near, our headquarters in Menlo Park, California. On-the-job training occurs either by phone or visit from our personnel in your city.

- B. During the operation of the franchised business, we will:
1. Provide your unit's contact information on our website to assist prospects in contacting your franchise. (Franchise Agreement - Paragraph 4, Section D)
 2. Maintain a telephone advisory service to provide a prompt response to your sales, operational, administrative and management questions regarding the operation of your franchise.
(Franchise Agreement - Paragraph 4, Section A, (ii))
 3. We may, from time-to-time, create training materials for you to use in training your employees in grout cleaning and maintenance techniques. These materials may be delivered in the form of seminars, manuals, audio or video presentations. They may be provided without cost or we may choose to charge for these materials. (Franchise Agreement - Paragraph 4, Section A, (ii))

4. Identify new services and products and train you in methods for implementing them in your business. We will also provide you with information about developments in the industry that may impact your business. (Franchise Agreement - Paragraph 4, Section B).
5. Lend you a copy of our Operations Manuals which contain mandatory and suggested specifications, standards and procedures. These manuals are confidential and remain our property. We may modify these manuals, but the modification will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - Paragraph 4, Section B). The table of contents of our current Operations Manuals is attached as Exhibit E to this Disclosure Document. These manuals currently encompass approximately 125 pages.
6. When a sufficient quantity of franchises are operating, we will hold annual conferences to discuss improvements in The Grout Expert Franchising system, sales and pricing techniques, improved operating techniques, quality control, advertising programs and accounting. We may or may not charge you a conference fee but you must pay all your travel and living expenses. These elective conferences may be held near our Menlo Park headquarters or at other locations of our choosing. (Franchise Agreement - Paragraph 4, Section B)
7. We may, from time-to-time, develop advertising and marketing materials for use in your territory. You will receive samples of these items at no charge. If you want additional copies you must pay us or our vendors for them. Your franchise agreement requires that you spend at least \$2,000 per month of your franchise unit's Total Gross Receipts in local marketing. In addition, in the future, we may require that you and all franchisees pay up to 2% (currently, .5%) of monthly Total Gross Receipts into a national Advertising Fund. The Grout Expert Franchising Ad Fund will be administered by us but we will seek the guidance of a committee consisting of Franchise Owners and our representatives. Each year that the fund is active, a compilation of its financial activities will be prepared by an independent CPA and shared with all franchisees. In addition, any advertising funds not spent in the year collected will remain in the fund to be expended in future years. Such a program will not be initiated earlier than when 25 franchises exist. At such time, if ever, that an Advertising Fund is implemented, we will contribute two percent (2%) (or any lower system-wide percentage rate which is identical to that paid by franchisees) of our company-owned or affiliated company-owned The Grout Expert Franchising units' revenues to the fund. (Franchise Agreement - Paragraph 4, Section E)
8. We currently have one approved vendor that provides call center services to our franchisees. Franchisees are required to forward their mail phone line(s) to this call center when they are in the field and unable to answer their incoming calls directly. The current fee for this service is \$150 per month for the first 200 calls, with a fee of \$1 per call for each additional call. These fees may change from time-to-time and they are not under our control.

C. Computer Purchases

You are required to have an IBM compatible computer with a minimum of 160 gigabytes hard drive and a processor running at 2.0 GHz or more, 500 Megabytes of RAM and a CD drive and an Inkjet or Laser printer for developing a database of your prospects and clients, scheduling your appointments, generating bids, maintaining communications over the Internet and to produce your accounting records. We estimate the approximate cost of these items is between \$600 and \$1,350. Your system and its software must properly communicate with our systems to permit report submission and to access the Internet for communicating with us. We will have independent access to the information that will be generated or stored in your computer system. You will also need the Customer Relationship Management (CRM) software package that we specify. While we

have researched the products available and are confident in our selection, we reserve the right to require utilization of a new software solution in the future and there are no limitations on the frequency and cost of our right to do so. The software needed when you open your franchise will cost between \$250 and \$50. You must upgrade or update your computer system as necessary during the term of the franchise. We anticipate that annual updates will average \$25 to \$50. (Franchise Agreement - Paragraph 4, Section E)

D. Site Selection and Opening

Franchisees typically open their units 1 to 3 months after they sign a franchise agreement. You are encouraged to operate your business from your residence but you may choose to establish a commercial office. You must obtain our approval for the site that you choose to serve based on the standards that we will share with you during your training. The factors that affect the time to open your unit may include your ability to obtain a lease—if you choose to open an office outside your residence, financing, and delayed delivery of equipment. There is a requirement that you open your franchise within 180 days of signing your Franchise Agreement, unless you receive a written extension of this time. (Franchise Agreement - Paragraph 4, Section D)

E. Insurance and Indemnification

You must maintain adequate insurance and indemnity coverage throughout the term of your Franchise Agreement and any extension(s) thereof as mandated by our Operations Manuals. You must also indemnify, or reimburse us for, any losses or expenses we incur as a result of your actions or inaction. You must provide these coverages, provided by a carrier with an **A.M. Best** rating of A VIII or higher, and in connection therewith to identify us as a named insured to the extent of our interest.

Prior to the opening your business, you must deliver to us certificates or policies evidencing that your insurance is in full force and effect, and each year during the term of this Agreement you must furnish premium receipts or other satisfactory evidence that such policies have continued in effect. Should you fail to maintain the required insurance, or furnish proof thereof, we have the option to obtain such insurance for you at your sole cost. You must promptly notify us of any and all claims under said policies of insurance against your franchise, us and/or employees or agents of either.

ITEM 12 TERRITORY

You will receive a Protected Territory containing at least 150,000 single-family residences. Your territory will be defined by county boundaries, geographic or highway boundaries or ZIP codes as established by the US Postal Service. You are free to solicit, market and sell The Grout Expert services and products only in markets that are not within the protected territories of other franchisees, or us, or our affiliates. In addition, you may not advertise in telephone, internet or other directories that target areas outside your protected territory nor may you establish mailing addresses for your The Grout Expert business that would lead others to believe that you have authorization to service clients outside of your Protected Territory.

You may not, unless advertising with other The Grout Expert Franchising Franchisees, target customers with direct mail marketing nor advertise in telephone, internet or similar directories that target areas outside your marketplace nor may you establish mailing addresses for your The Grout Expert Franchising business that would lead others to believe that you are authorized to offer services outside of your market.

You do not have to generate a minimum level of gross receipts to maintain your franchise, although there will be a minimum monthly royalty due beginning in the 13th month of operations as described in

Section 6.

You are required in Section 5B of your Franchise Agreement to complete your initial training within 90 days and commence business operations within 180 days after signing your Franchise Agreement. Failure to do so constitutes a breach of your Franchise Agreement.

We do not reserve the right to make internet, catalog, or direct marketing sales of services or products identical or similar to those offered by you within your Protected Territory nor will we authorize others to do so.

We do not now, and we do not plan in the future to establish franchises or company stores offering a line of goods that would compete with the merchandise sold in your store.

ITEM 13 TRADEMARKS

We grant you the exclusive right to operate one office and to market your services under the name "The Grout Expert" within a specific geographic territory. You may also use current and future trademarks and service marks we register to identify your business and its products and services. Our President, Hoang Chieu Nguyen, has granted us the rights to one Service Mark: **The Grout Expert** which was registered with the United States Patent and Trademark Office Principal Register on January 9, 2007, and assigned Registration Number 3,196,614.

You must follow our rules when you use these marks. You cannot use our name or mark as part of your corporate (or other entity) name or with modifying words, designs or symbols except for those which we license to you. You may not use The Grout Expert Franchising's registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

Your conduct on the Internet, including without limitation, your use of the Marks on the Internet and in domain names for the Internet, is subject to the provisions of the Franchise Agreement. We reserve the right to establish and modify, from time to time, rules which will govern your conduct and use of the Internet in connection with your The Grout Expert franchise business, and you must agree to abide by such rules. At the present time, only The Grout Expert Franchising is permitted to maintain a website promoting the franchise system. Your rights to use the Marks and our Business System will terminate when the Franchise Agreement terminates or expires.

You must notify us immediately if you learn about an infringement of, or challenge to your use of any of our trademarks. We will take the action we think appropriate.

You must modify or discontinue the use of a service mark or trademark if we modify or discontinue it. If this happens, we will reimburse you for your tangible costs of compliance that have been pre-approved by us in excess of \$5,000 (i.e., changing signs and marketing materials). You must not directly nor 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 The Grout Expert trade or service mark(s). No agreements limit our right to use or license the use of this trademark. There are no currently effective material determinations of the Patent and Trademark office, Trademark Trial and Appeal Board, the Trademark Administrator of any State or any court, pending infringement, opposition or cancellation, or pending material litigation involving the principal trademark.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You may use the proprietary information in our Operations Manuals described in Item 11. Although we have not filed an application for a copyright registration for the Operations Manuals, we claim a

copyright, and the information is proprietary. Item 11 describes limitations on the use of this manual by you and your employees. You must also promptly tell us if you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we deem appropriate.

We do not own any patents and there are no applications pending for patent rights that are material to this franchise.

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

While we do not require that you personally supervise the business, the franchise must be directly supervised, on a day to day basis, by a manager who has successfully completed our training program. The manager may not have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in a corporate or partnership-run franchise but he or she must sign a written agreement to maintain the confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

Each individual who owns a 5% or greater interest in the franchise entity must sign a Guarantee assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement. (See Addendum C of the Franchise Agreement)

ITEM 16 RESTRICTIONS OF WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell all the core services that we have approved under our brand that we may modify from time-to-time (see Item 9) and that you only utilize products approved by us—some of which may be available only from us. You are required to offer all the products and services as defined in the Operations Manual which is currently limited to the repair, replacement and maintenance of grout in tile floors and walls.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 8	The term is 10 years.
b. Renewal or extension of the term	Section 8	If you are in good standing you can renew for additional 10 year terms.
c. Requirements for you to renew or extend	Section 8	Sign new agreement, (that new agreement may contain terms different from your current agreement but your territory will not change); pay any balances outstanding; sign a release and pay renewal fee.
d. Termination by you	Sections 3 & 9A	Not Permitted

e. Termination by us without cause	Section 9B	Not Permitted
f. Termination by us with cause	Section 9C	We can terminate only if you default.
g. "Cause" defined. Defaults which can be cured	Section 9C	Curable defaults: failure to open your franchise within 180 days of signing your Franchise Agreement, non-payment of fees, non-reporting, failure to meet Franchise Agreement standards, non-compliance with local law, poor business practices (as defined), failure to obtain non-compete agreements from managers, operating from a non-approved site, offering services in another name or outside of protected territory.
h. "Cause" defined. Defaults which cannot be cured	Section 9C	Non-curable defaults: conviction of felony, repeated defaults (even if cured), abandonment, trademark misuse, unapproved transfers, bankruptcy, insolvency, or false statements on applications or reports.
i. Your obligations on termination or non-renewal	Section 10	Obligations include complete de-identification and payment of amounts due (see also r, below).
j. Assignment of contract by us	Section 11C	We may assign our rights.
k. "Transfer" by you- Definition	Section 11B	Includes transfer of contract, or assets, or ownership change.
l. Our approval of transfer by franchisee	Section 11B	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 11B	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all fees owed by you paid, and current agreement signed by new franchisee (also see r, below).
n. Our right of first refusal to acquire your business	Section 11E	Right of first refusal is reserved by us. We will have 10 days to notify you of our intention to meet the terms of a buyer and 45 days to complete a purchase.
o. Our option to purchase your business	None	None exists.
p. Your death or disability	Sections 11 and 11B	Your estate and/or beneficiaries can inherit your rights as long as a qualified manager runs your franchise.
q. Non-competition covenants during the term of the franchise	Section 15	No involvement in competing business anywhere in the U.S., Canada, or Mexico.

r. Non-competition covenants after the franchise is terminated or expires	Section 15	You may not own nor manage a competing business for 2 years within 50 miles of your protected territory (including after assignment).
s. Modification of the agreement	Section 16	No modifications generally unless agreed to in writing by both parties but Operations Manual is subject to change.
t. Integration/merger clause	Section 16	Only the terms of the franchise agreement and representations in this Disclosure Document are binding
u. Dispute resolution by mediation or arbitration	Section 18	Except for certain claims, all disputes must be first mediated, then arbitrated in Menlo Park, California.
v. Choice of forum	Section 20	Litigation must be in the United States District Court for the Northern District of California, or the State Court in San Mateo County, California.
w. Choice of law	Section 20	California law applies.

ITEM 18 PUBLIC FIGURES

We do not use any celebrities or public figures to promote our franchise to the public at large or to those considering purchasing our franchises.

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.

Except as set forth below, we do not furnish nor authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a The Grout Expert franchise. Actual results will vary from unit to unit, and we cannot estimate the results of any particular franchise.

As noted earlier in this Disclosure Document, we are a start-up franchise concept, and as of the date of this Disclosure Document, we do not have any franchisees. The information below is based upon the performance of our affiliate, The Grout Expert, Inc. which operates a business similar to that offered franchisees through this Disclosure Document. There can be no assurance that the performance of our franchisees will be similar.

The template set forth below is intended to serve as a tool for you to forecast your potential receipts and gross profits from the operation of your franchise. The information provided in the template must be read in conjunction with the notes set forth immediately following the template. Although there

may be considerable differences between various markets for the services that will be offered by our franchisees, we believe that our experience provides a reasonable basis for all of the information provided below. Written substantiation for this Financial Performance Representation is available to you upon reasonable request.

CAUTION: These figures reflect historic sales levels achieved by The Grout Expert, Inc and we feel they represent volumes that can realistically be achieved *beginning after your first 90 days of operation*. Franchisees usually open their business 4 to 8 weeks after signing their agreement and 3 to 6 weeks after they complete training. These Potential Gross Receipts estimates are based on our affiliate, The Grout Expert, Inc.'s business, which opened in May 1999 and operates in the metro area of Menlo Park, California. There is no assurance that you'll do as well. Suppliers may change their costs to you and general economic conditions may cause you to pay more for products and services that are critical to your success or reduce the willingness of your prospects to invest in grout cleaning, repair, maintenance and replacement services. If you rely upon our figures, you must accept the risk of not doing as well. The revenue that you achieve for each service will vary depending on market demand, local competition, your selling skills and other factors, some of which may be beyond your control.

Potential Receipts

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Total Gross Receipts	\$15,000	\$20,000	\$25,000	\$30,000	\$90,000

You will have variable costs for materials and possibly labor to complete your jobs. These costs vary widely based on your management style and we have not projected these expenses. In addition you will have General and Administrative Expenses which vary widely from market to market and we have not attempted to estimate these. These expenses include: Rent, Depreciation and Amortization, Utilities, Telephone, Repairs and Maintenance, Supplies, Insurance, Office Expenses, Interest, Lease Payments, Licenses & Fees, Bank Fees, Payroll Including Payroll Taxes, Accounting & Legal, Local Advertising \$2,000 or more per month, Royalties - 6%, National Advertising - Varies by Sales, and Others.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

We are a new franchisor, and have no history of sales, terminations, transfers or non-renewals. As of the issuance date of this disclosure document, we have not granted any franchises.

**Table No. 1
System-wide Outlet Summary
For Fiscal Years 2009 through 2011**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchise Outlets	2009	0	0	0
	2010	0	1	+1
	2011	1	1	1
Company Outlets*	2009	1	1	0
	2010	1	1	0
	2011	1	1	0
Total Outlets*	2009	1	1	0
	2010	1	2	+1
	2011	2	2	0

*All Company Outlets are owned and operated by The Grout Expert, Inc.

Table No. 2
Transfer of Outlets from Franchisees to New Owners (Other than the Franchisor)
For Fiscal Years 2009 through 2011

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
AZ	2009	0
	2010	0
	2011	0
CA	2009	0
	2010	0
	2011	0
OR	2009	0
	2010	0
	2011	0
Totals	2009	0
	2010	0
	2011	0

Table No. 3
Status of Franchised Outlets
For Fiscal Years 2009 through 2011

<u>State</u>	<u>Year</u>	<u>Outlets at the Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations - Other Reason</u>	<u>Outlets at End of the Year</u>
AZ	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
CA	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
OR	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Totals								

<u>State</u>	<u>Year</u>	<u>Outlets at the Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations - Other Reason</u>	<u>Outlets at End of the Year</u>
	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1

The contact information for our California franchisee is:

2101 Solano Way
 Concord CA. 94520
 925-687-9922
 Adam Price
aprice1977@yahoo.com

**Table No. 4
 Status of Company Owned Outlets
 For Years 2009 through 2011**

<u>State</u>	<u>Year</u>	<u>Outlets at the Start of Year</u>	<u>Outlets Opened</u>	<u>Outlets Reacquired From Franchisee</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisee</u>	<u>Outlets at End of the Year</u>
CA	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
	2011	1	0	0	0	0	1
Totals	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
	2011	1	0	0	0	0	1

**Table No. 5
 Projected Openings as of December 31, 2012**

<u>State</u>	<u>Franchise Agreements Signed but Outlet not Opened</u>	<u>Potential New Franchised Outlet in The Next Fiscal Year</u>	<u>Potential New Company - Owned Outlet in the Next Fiscal Year</u>
AZ	0	0	0
CA	0	1	0
Totals	0	1	0

There are no franchisees whose franchise has, within the twelve-month period immediately preceding the date of this Disclosure Document, been terminated, canceled, not renewed or, who has, during the same time period, otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement, or has not communicated with us within the ten weeks prior to the date of application of this registration. If you buy this franchise, your contact information may be disclosed to other

buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees which would in any way restrict their ability to speak with you openly about their experience with us.

There are no trademark specific franchisee organizations associated with the franchise system, nor are there any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our audited financial statements for fiscal years ending December 31, 2010 and December 31, 2011. Our fiscal year ends on December 31 of each year.

ITEM 22 CONTRACTS

The following agreements are attached to this Disclosure Document:

Exhibit B	Franchise Agreement (with Exhibits)
Exhibit D	Statement of Prospective Franchisee
Exhibit F	General Release

ITEM 23 RECEIPT

Our and your copies of the Uniform Franchise Disclosure Document Receipt are located on the last two pages of this Disclosure Document.