

FRANCHISE DISCLOSURE DOCUMENT

DEPARTMENT OF CORPORATIONS
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OCT 19 2012

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Inspect-It 1st, LLC
a Delaware limited liability company
7100 East Pleasant Valley Road, Ste. 300
Independence, Ohio 44131
(866) 328.7720
kgolubski@merrymtg.com
<http://www.inspectit1st.com>

The franchise offered is for providing commercial and residential building inspection services, environmental inspections, including hazardous material testing, and other property inspection services utilizing infrared thermography if/when appropriate (“**Property Inspection Business**” or “**Franchise**”).

The total investment necessary to begin operation of an Inspect-It 1st franchised business is \$27,400- \$38,400. This includes \$19, 900 that must be paid to Franchisor or its affiliates.

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 have the option of receiving a paper copy or a compact disc of the disclosure document. To request a paper or compact disc copy, contact the Compliance department at (877) 392-6278 ext. 19.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read the entire contract carefully. Show the contract and this disclosure document to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: 9/17/12

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, 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 OHIO. 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 OHIO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. EVEN THOUGH THIS FRANCHISE AGREEMENT PROVIDES THAT HOME STATE LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE DISCLOSURE DOCUMENT FOR DETAILS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _____

STATE EFFECTIVE DATES

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

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

California:	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

In all other states not listed above, the effective date of this Franchise Disclosure Document is the issuance date of September 17, 2012.

NOTICE REQUIRED

FOR PROSPECTIVE FRANCHISEES

BY STATE OF 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.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice of it and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the terms of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right to first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this 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
Consumer Protection Division
Attention: Franchise Bureau
670 Law Building
Lansing, MI 48913
(517) 373-3800

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EXHIBITS

- A. List of State Regulatory Agencies and Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement with Attachments
- D. Financial Statements

- E. Table of Contents of Confidential Operating Manual
- F. Current List of Franchisee
- G. State Addendum
- H. Nondisclosure and Noncompetition Agreement
- I. Compliance Certification Form
- J. Termination Agreement
- K. List of Franchisees Who Left the System in the Last Year or Who Have Not Contacted Us in the Last 10 Weeks
- L. Receipts

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Throughout this disclosure document, "Inspect-It 1st" means Inspect-It 1st, LLC, the franchisor, which does business as Inspect-It 1st. To simplify the language in this Disclosure Document, the terms "Inspect-It 1st," "we," "our," and "us" refer to Inspect-It 1st, LLC, the franchisor. The terms "you" and "franchisee" refer to the legal entity which will own and operate the franchise. References to "you" or "franchisee" which are applicable to an individual or individuals will mean the principle owner or owners of the equity or operating control of the Franchisee. Inspect-It 1st, LLC, is a Delaware limited liability company that was incorporated on March 3, 2003. The only name under which Inspect-It 1st, LLC is presently doing business or intends to do business is Inspect-It 1st. Our principal business address is:

Inspect-It 1st, LLC
7100 East Pleasant Valley Road, Ste. 300
Independence, Ohio 44131
(216) 328.7720
(877) 392.6278

Inspect-It 1st's agents for service of process are disclosed in EXHIBIT B.

Effective June 19, 2007, Inspect-It 1st, LLC acquired substantially all of the assets of Inspect-It 1st Franchising Corp. Inspect-It 1st, LLC is a direct wholly-owned subsidiary of Merrymeeting, Inc., a Delaware corporation ("Merrymeeting"). Merrymeeting is owned by John M. Davies, Inspect-It 1st, LLC's Chairman of the Board, President and CEO, and IVM Intersurer BV, a Netherlands holding company that specializes in investing in insurance-related businesses.

Merrymeeting owns one hundred percent (100%) of Frontier Adjusters of America, Inc., an Arizona corporation ("FAA"). FAA, in turn, owns one hundred percent of the stock of Frontier Adjusters of Arizona, Inc., which in turn owns one hundred percent of the stock of Frontier Adjusters, Inc., a Colorado corporation ("Frontier"). Frontier sells claims adjusting business franchises and has been in continuous operation since May 29, 1959. Frontier has no predecessor operations. Frontier has not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2012, Frontier had 719 franchised locations. Effective July 30, 2004, Merrymeeting acquired one hundred percent (100%) of MTOclean, Inc., an Ohio corporation ("MTO"). MTO sells residential and commercial cleaning business franchises and has been in continuous operation since 1988. MTO has no predecessor operations. MTO has not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2012, MTO had 48 franchised locations.

Merrymeeting also owns one hundred percent (100%) of MMI Business Brokers, LLC, dba Sunbelt Business Advisors ("Sunbelt"), a Delaware limited liability company. On February

3, 2006, Sunbelt acquired substantially all of the assets of Sunbelt Business Advisors Network, LLC. Prior to this asset purchase, Sunbelt Business Advisors Network, LLC had sold franchises since December, 2002. Sunbelt Business Advisors Network, LLC's predecessor was Sunbelt Business Brokers Network, Inc. which sold franchises since April 1993. Sunbelt sells business brokerage franchises and has since February 3, 2006. Sunbelt and its predecessor, Sunbelt Business Brokers Network, Inc., have not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2012, Sunbelt had 151 U.S. franchised locations.

Computer Troubleshooters USA, Inc. ("CT USA") is a Georgia corporation that was incorporated on May 3, 1999 and has offered franchises since that time. Effective January 31, 2008, CT USA became a wholly owned subsidiary of Computer Troubleshooters Global, LLC ("CT Global"), a Delaware limited liability company, whose membership interests are owned by Merrymeeting and Tech Savvy, Inc. an Ohio corporation. Effective on this same date, CT Global also acquired substantially all of the assets of Computer Troubleshooters PTY., LTD., a former affiliate of CT USA. Computer Troubleshooters franchise owners engage in the business of offering computer related repair and support services to businesses and individual consumers. Computer Troubleshooters has not offered franchises in any other line of business. As of December 31, 2011, Computer Troubleshooters had 170 U.S. franchised locations. We do not believe that our franchisees will compete with CT USA's franchisees.

Effective January 1, 2012, MMI-GOC, LLC dba Geeks on Call ("GOC"), an Ohio limited liability company, acquired substantially all of the assets of GOCI, LLC. GOCI, LLC offered franchises of the type being offered by GOC since 2009. Effective November 16, 2009, GOC, LLC acquired substantially all of the assets of Geeks on Call Holdings, Inc. and Geeks on Call America, Inc. Geeks on Call Holdings, Inc. and Geeks on Call America, Inc. offered franchises of the type being offered by GOC since 2001. GOC is owned by Merrymeeting, Inc. and Tech Savvy, Inc., an Ohio corporation. GOC offers franchises relating to information technology services and telecommunications. GOC, and its predecessors, GOC, LLC, and Geeks on Call Holdings, Inc. and Geeks on Call America, Inc., have not offered franchises in the same type of business as that to be operated by Inspect-It 1st and its franchisees. As of December 31, 2011, MMI-GOC had 142 franchised locations.

Additionally, on May 21, 2008, MMI Peer Advisory Services, LLC dba "Inner Circle", a Delaware limited liability company, acquired substantially all of the assets of Inner Circle International, Ltd. Inner Circle is owned in equal parts by Merrymeeting and Proprietors Capital Holdings, LLC, a Delaware limited liability company. Inner Circle International Ltd. offered franchises of the type being offered by Inner Circle since 1997. Inner Circle franchises businesses that market, facilitate and conduct meetings for business owners, presidents and chief executive officers. Inner Circle and its predecessor, Inner Circle International, Ltd., have not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2012, Inner Circle had 13 franchised locations.

Effective April 7, 2011, MMI-PEC, LLC dba Pro Energy Consultants ("PEC"), an Ohio limited liability company, acquired substantially all of the assets of PEC Holdings, LLC. PEC is owned by Merrymeeting, Inc. and Home Energy Enterprises, LLC, an Ohio limited liability company. PEC franchises energy auditing businesses. PEC and its predecessor, PEC Holdings,

LLC, have not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2012, PEC had 40 advertised franchised locations.

The principal business address for Merrymeeting, FAA, Frontier Adjusters of Arizona, Inc., Frontier, MTO, Sunbelt, Computer Troubleshooters, Pro Energy Consultants, Inner Circle is 7100 East Pleasant Valley Road, Suite 300, Independence, Ohio 44131 and the telephone number is 877-392-6278. The principal business address for MMI-GOC is 1081 19th St., Ste. 201, Virginia Beach, Virginia, 23451.

Effective October 1, 2003, Marathon Management, LLC, a Delaware limited liability company ("Marathon") began providing management services to Inspect-It 1st, LLC. John M. Davies, Inspect-It 1st's Chairman of the Board and President, and his wife own one hundred percent of the membership interests of Marathon. Pursuant to a written management agreement, Inspect-It 1st will reimburse Marathon for all of the expenses incurred by Marathon in connection with these management services.

We have been offering residential and commercial building inspection franchises since October 2003. The franchises we offer allow you to use our names, marks and systems to operate an inspection service for (i) single-family and certain multi-family residential buildings and (ii) certain commercial buildings.

The Franchise

We offer franchises for the operation of Property Inspection Businesses under our Inspect-It 1st[®] service mark, trade names, and logos (collectively, "**Marks**"). The franchise is operated under a business format utilizing a unique system, including our valuable know-how, proprietary licensed software, information, trade secrets, methods, Operations Manual, standards, designs, methods of service, Mark usage, copyrights, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of a Property Inspection Business ("**System**"). We reserve the right to change or otherwise modify the System at any time in our sole discretion. Each Property Inspection Business offers the general public a variety of property inspection services. The services include post-construction and pre-purchase inspection of residential and commercial property utilizing infrared thermography, and related property inspection services. We also offer building performance testing and building improvement franchises, which you may purchase at a discounted rate, through our affiliate, Pro Energy Consultants.

You must operate your Property Inspection Business according to our standard business operating practices and sign our standard franchise agreement ("**Franchise Agreement**"). (See Exhibit B). You must provide the authorized services per our guidelines.

Market and Competition

The market for the property inspection industry has grown substantially in the past decade. This is primarily because the majority of properties are now inspected prior to purchase, and real estate professionals have become strong advocates of the inspection process. Many financial and insurance institutions now also require inspections. The market for property inspection services is highly competitive. You will be in competition with large national

property inspection providers, a large number of small, local property inspection service providers, as well as other franchisees from our System. A small percentage of these competitors use infrared thermography.

You will also face normal business risks that could have an adverse affect on your Property Inspection Business. These include industry developments, such as pricing policies of competitors, supply and demand, or changes in laws requiring property inspection services.

Regulations

There are state laws and regulations specific to performing property inspection services. There may also be local and state agencies that regulate the performance of property inspection services in your area. It is important that you comply with all laws and regulations in this area and that you become educated regarding property inspection services and requirements. Some of these laws and regulations will require special certification, licensing and registrations before you can begin performing property inspections. You should familiarize yourself with these laws and regulations and with other state or local laws and regulations of a more general nature which may affect the operation of your Property Inspection Business. It is your responsibility to comply with all federal, state and local regulations, employment laws, certification, licensing and registration requirements, worker's compensation insurance requirements, corporate taxing and any other laws that affect the operation of your Property Inspection Business. You should talk to an advisor, like a lawyer or accountant, regarding compliance with these laws and regulations.

Other than when we take over operations from our franchisees on an interim basis, we do not operate residential or commercial building inspection businesses in any states and have no other businesses other than franchising the type of business described in this Disclosure Document. We do not offer subfranchises and we have not offered franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

Chairman of the Board, President/CEO and Director: JOHN M. DAVIES

Mr. Davies has been Chairman of the Board, President/CEO and a director of Inspect-It 1st, LLC since its inception in March 2003. Mr. Davies currently serves as Chairman of the Board and President/CEO of Frontier, and from May 2001 through December 2002 was an employee of Frontier. Effective January 1, 2003, Mr. Davies became an employee of Marathon, although he continues to serve as an officer and director of Inspect-It 1st, LLC, MMI Business Brokers, LLC, MTOclean, Inc., Pro Energy Consultants, Computer Troubleshooters, MMI-GOC, Inner Circle, and Frontier.

Chief Operating Officer, Treasurer and Director: JEFFREY R. HARCOURT

Mr. Harcourt has served as Chief Operating Officer since July 1, 2006 and has been Treasurer and a director of Inspect-It 1st, LLC since its inception in March 2003. Mr. Harcourt also served as Chief Financial Officer of Inspect-It 1st, LLC from March, 2003 until June, 2006. Mr. Harcourt currently serves as Chief Operating Officer and Treasurer of Frontier, and from May 2001 through December 2002 was an employee of Frontier. Effective January 1, 2003, Mr. Harcourt became an employee of Marathon, although he continues to serve as an officer and director of Inspect-It 1st, LLC, MMI Business Brokers, LLC, MTOclean, Inc., Pro Energy Consultants, Computer Troubleshooters, MMI-GOC, Inner Circle, and Frontier.

Chief Financial Officer and Secretary: LAUREL PARK

Ms. Park has served as Chief Financial Officer since July 1, 2006 and as Secretary of Inspect-It 1st, LLC since its inception. Ms. Park also served as Controller for Inspect-It 1st, LLC from March, 2003 to June, 2005. From June 1, 1995 through December 31, 2002, Ms. Park was an employee of Frontier, of which she has also served in various official roles. Effective January 1, 2003, Ms. Park became an employee of Marathon, although she continues to serve as an officer of Inspect-It 1st, LLC, MMI Business Brokers, LLC, MTOclean, Inc., Pro Energy Consultants, Computer Troubleshooters, MMI-GOC, Inner Circle, and Frontier. Ms. Park is a certified public accountant.

Home Services Group President: KYLENE GOLUBSKI

Ms. Golubski became the Home Services Group President on July 1, 2011. Ms. Golubski had been Vice President of Sales and Marketing of Inspect-It 1st, LLC since July 1, 2005. Previously, Ms. Golubski had been Assistant Secretary and Business Development Manager of Inspect-It 1st, LLC since its inception through June 30, 2005. Effective January 1, 2003, Ms.

Golubski became an employee of Marathon, although she continues to manage Inspect-It 1st, LLC, Pro Energy Consultants, and MTOclean, Inc. Since June 2001, Ms. Golubski has been employed by various companies owned by or affiliated with Merrymeeting, Inc., Inspect-It 1st's parent company. Ms. Golubski was previously employed by Applied Technology Ventures, Inc. as Marketing Manager. Ms. Golubski has her MBA from Indiana Wesleyan University; her Bachelor's degrees in Marketing and Logistics from John Carroll University; and is a graduate of Inspection Training Associates, Inc.

Director of Education: JOHN ELSON

John Elson has been the Director of Education for Inspect-It 1st, LLC since June 19, 2007. Prior to that, he was the Chief Operations Officer of Inspect-It 1st Franchising Corp. since March, 2006. Mr. Elson is Director of Education and a faculty member of SIPI (Southwest Institute of Property Inspection) in Phoenix, Arizona since September, 2005. Mr. Elson has been an Inspect-It 1st franchise owner in Scottsdale, Arizona since April, 2003, a Certified Home Inspector in Arizona, a Licensed Home Inspector in Illinois and a Certified American Society of Home Inspectors (ASHI) Inspector. Prior to his affiliation with Inspect-It 1st, Mr. Elson was a Principal and Director of Andersen Consulting in Chicago, Illinois from 1996 to April, 2003.

ITEM 3

LITIGATION

There is no litigation that must be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

All Franchisees pay a \$19,900 Initial Franchise Fee. Unless we approve other arrangements in writing in our sole discretion, the Initial Franchise Fee must be paid in full at the time you sign the Franchise Agreement and is nonrefundable under any circumstances once paid. Payment must be made in the form of a cashier's check, money order or wire transfer.

Franchisees who qualify, in our sole discretion, may purchase the right to operate additional Property Inspection Businesses at the then-current Initial Franchise Fee. If we agree to grant you one or more additional franchises, you must meet our then-current franchise qualification standards. The grant of the additional franchises is subject to our ability to comply with all applicable laws regarding the sale of the franchises and the availability of acceptable locations in the area of your existing franchise. We will use reasonable efforts to permit you to acquire additional franchises. However, we do not guarantee that a franchise will be granted to you or any other franchisee. Unless other arrangements are approved in writing by us, in our sole discretion, you must pay the then-current Initial Franchise Fee in full when you sign the new Franchise Agreement for each qualifying additional franchise. There are no refunds of the then-current Initial Franchise Fee under any circumstances.

If you are already the owner of an established property inspection business, which business you will conduct under the Inspect-It 1st name, and you also meet certain other requirements, including having passed the National Home Inspector Exam and completed in excess of 100 prior property inspections, the initial franchise fee will range between \$4,800 and \$19,900.

We provide a 10% discount on the Initial Franchise Fee for qualified active duty or retired military.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalties for first 12 months of operation† (1,2)	6% of Gross Revenues, or a Minimum Royalty of \$200 per month, whichever is greater	Monthly on or before the 10th day of each month	No Royalty is due for any partial calendar month following your completion of the Initial Training Program and for an additional 60 days thereafter (the "Grace Period") unless you fail to open your Property Inspection Business within 30 days after your completion of the initial training program (subject to extensions granted by Franchisor in its sole discretion). In limited circumstances where a franchisee has an existing home inspection business, and meets certain other requirements, we may reduce the royalty to \$200 per month. These criteria will be consistently applied.
Royalties for second 12 months of operation and remainder of the Term† (1,2)	7% of Gross Revenues, or a Minimum Royalty of \$400 per month, whichever is greater	Monthly on or before the 10th day of each month	In limited circumstances where a franchisee has an existing home inspection business, and meets certain other requirements, we may reduce the royalty to \$200 per month during the second 12 months of operation, and \$400 per month thereafter. These criteria will be consistently applied.
Marketing Fund Fee† (1,3)	2% of Gross Revenues, or a minimum of \$50.00 per month, whichever is greater	Monthly on or before the 10th day of each month	Contributions to the Marketing Fund (if in existence) will not commence until the expiration of the Grace Period unless you fail to open your Property Inspection Business within 30 days after your completion of the initial training program (subject to extensions granted by Franchisor in its sole discretion).
Marketing and Office Management System Fee	\$3 or less per inspection	Monthly	We reimburse you for the direct expenses of using the Marketing and Office Management System during the first 12 months following your Effective Date. This fee is paid to a third-party vendor, and is therefore subject to change.
Report Generation Software Maintenance Fee	\$169 per year	Annually	The first year's fee is included in the Initial Franchise Fee. This fee is paid to a third-party vendor, and is therefore subject to change.
Audit Fee †	Cost of inspection or audit. Costs may range from \$3,000-\$10,000	As incurred	Payable if there is a deficiency in the payment of any Royalty Fee, Marketing Fund Fee, or other amounts required to be paid by you under the Franchise Agreement by 2% or more.
Transfer Fee † (4)	\$5,000	Before completion of the transfer	Payable by you or your buyer when the Franchise Agreement or other interest in your Property Inspection Business is transferred by you; includes initial training program for one person. (See Sections 15.5 and 15.6 of the Franchise Agreement.)

Interest †	Lesser of 6% over the prime lending rate of the Franchisor's bank, or highest rate of interest allowed by law	Calculated and payable weekly	Begins to accrue after any payments are due and unpaid.
Late Report Fee †	\$500 per violation	As incurred	Payable only if a required report or financial statement is not delivered when due. We reserve the right to increase this fee at any time upon 30 days notice to you.
Late Payment Fee	\$500 per violation	As incurred	Payable if a required payment is not made when due. We reserve the right to increase this fee at any time upon 30 days notice to you.
Insurance (5)	Will vary based on location	Insurance provider	We may modify insurance requirements periodically.
Requested Additional Assistance † (6)	Varies based on needs. The estimated range of costs are \$0-\$100 per hour plus travel expenses. The estimated range of costs for travel is \$500-\$1,000	As incurred	Additional training and assistance may be necessary at your expense if you fail to meet our minimum requirements.
Initial Training for Additional Person(s) † (7)	A maximum of \$5,000 per person attending the entire initial training program, plus the cost of travel expenses.	Payable 21 days prior to start of initial training class	Training for 2 people per franchise unit is included in the Initial Franchise Fee if attending the same class. We may increase, reduce or waive the per person Initial Training fee in our sole discretion.
Property Inspection Employee Training † (8)	A maximum of \$5,000 per employee plus the cost of travel expenses. The estimated range of costs for travel is \$500 - \$1,000	Payable 21 days prior to start of training class	Training for 2 employees is provided free of charge. Required for all employees providing property inspection services. We may increase, reduce or waive the per person Initial Training fee in our sole discretion.
Operations Manual Replacement Fee †	\$250	Upon delivery	You must replace any part of the Operations Manual which is lost, stolen, or destroyed. The Operations Manual remains our property at all times.

† All of these fees are non-refundable under any circumstances once paid and are uniformly imposed. We may require you to pay Royalties, Marketing Fund Fees, or any other amounts required to be paid by you under the Franchise Agreement, electronically either by Electronic Funds Transfer ("EFT"), pre-authorized checks, valid on-file credit cards, or another form of electronic withdrawal. Fees paid to vendors or other suppliers may or may not be refundable depending on your arrangement with your vendors and suppliers.

1) **Gross Revenue.** Gross Revenue means the total of all receipts derived from Services performed and products sold from the Franchisee's Center of Operations (as defined in Section 2.1(a) of the Franchise Agreement) or within the Authorized Territory (as defined in Section 4.1(a) of the Franchise Agreement) and Collateral Services, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Gross Revenues include receipts from all sales, service, labor, etc. related to the operation of the Franchisee's Business or Collateral Services. Gross Revenue does not include:

- a. 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 the Franchisee to the appropriate governmental authority; and

- b. Promotional or discount coupons to the extent that the Franchisee realizes no revenue.

Gross Revenue shall be deemed received by the Franchisee when payment actually has been received by the 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.

- 2) Royalty Fee. The Royalty Fee for the first 12 months of operation is the greater of 6% of the Gross Revenue or the Minimum Royalty. The Royalty Fee during the second 12 months of operation and for the remaining Term of the Franchise Agreement is the greater of 7% of Gross Revenues or the Minimum Royalty. Operations are deemed to commence after the expiration or waiver of the Grace Period. You will waive the Grace Period if you fail to open your Property Inspection Business within 30 days of completing the initial training program, unless extended by us in our discretion.

In the case of a transfer, the non-discounted royalty payment amount in the then current version of the Franchise Agreement will apply for the new owner.

The royalty fee represents payment for services performed by the Franchisor for the benefit of the Franchisee as well as the use of any Marks owned by the Franchisor. Services provided include, but are not limited to, (a) webhosting, servers and development, (b) training and professional education, (c) ongoing operational support and coaching, (d) advertising and marketing, and (e) trademark usage. While subject to change, the Franchisor and Franchisee mutually agree that the value of the current services provided by Franchisor represents 95% or more of the royalty fee, while use of the registered marks represents the balance, or 5% or less.

- 3) Marketing Fund Fee. These funds are used for national marketing, to generate marketing materials, and for administrative costs associated with our marketing efforts. (See ITEM 11).
- 4) Transfer Fee. You must pay a Transfer Fee of \$5,000 if you transfer, in any manner, the ownership of your franchise. The Transfer Fee includes providing our Initial Training Program to your buyer/transferee.
- 5) Insurance. You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates and the officers, directors and employees of us and our designated Affiliates against any loss, liability, personal injury, death, property damage, or expense resulting from the operation of your Property Inspection Business and all services you provide in connection with the operation of your Property Inspection Business as we may require for your and our protection in our sole discretion in amounts set forth in the Operations Manual (which may be adjusted in 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 Franchisor shall receive a thirty-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 ten days of issuance thereof. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within ten 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.

- 6) Additional Assistance. The Initial Franchise Fee includes the initial training program for up to two people attending the same 10 business day class, assigning you a peer to review up to your first 10 practice property inspection reports, assigning you a mentor to provide reasonable telephone assistance for 8-weeks after you open your Franchise, the ACE Marketing Program, and telephone support during business hours. If you request additional assistance beyond what is provided above, you can request that we provide a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of any on-site visit. The cost of additional assistance will depend on your needs, and the amount of assistance you desire.

- 7) Initial Training for Additional Persons. We provide initial training for up to two people for 10 business days at no additional training fee so long as both trainees are attending the same class. You are responsible for airfare, meals, lodging, transportation and other incidental expenses. If you want additional people to attend the initial training program, we will charge a training fee of up to \$5,000 per person. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each additional person while he or she is in training. Training fees can be increased or decreased by us at any time in our discretion.

- 8) Employee Training. All employees performing property inspection services for your Property Inspection Business must attend our training program for 10 business days. Training for two employees is provided free of charge. For additional employee training, you must pay us a training fee in the amount of \$5,000 or less. You are responsible for all costs for airfare, transportation, lodging, meals, salaries, benefits, and other personal expenses for such employees. We reserve the right to change the training fees at any time.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$19,900	Lump sum	Upon signing of a Franchise Agreement	Us
Real Estate and Improvements (3)	Not Included in Total (See Note 3)			
Equipment (4)	\$500-\$1,500	Prior to opening or as arranged with Vendors	As determined by Vendors	Vendors
Computer Equipment (5)	\$0-\$2,000	Prior to opening or as arranged with Vendors	As determined by Vendors	Vendors
Marketing Supplies (6)	\$1,000-\$2,000	As agreed	As incurred	Vendors or Third Parties
Travel and Living Expenses for Training (7)	\$500-\$1,000	As agreed	During training	Hotel, Transportation, Food and Car Rental
Insurance Premiums (8)	\$2,500-\$4,000	As agreed	As incurred	Third Parties
Additional Funds for first 3 months (9)	\$3,000-\$5,000	As agreed	As incurred	Vendors or Third Parties
Additional Licensing and Membership Fees (10)	\$0-\$3,000	As agreed	As incurred	Third Parties
TOTAL (12)	\$27,400 – 38,400			

- (1) Expenditures. The high and low ranges in the table are based on an average Property Inspection Business. All fees imposed by us are non-refundable unless otherwise noted. 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 Franchise Fee is \$19,900 for a Property Inspection Business. The Initial Franchise Fee is due when you sign the Franchise Agreement and is non-refundable once paid (See ITEM 5).
- (3) Real Estate Leasing. All current franchisees operate their Property Inspection Business from home. If you do not have adequate space in your home, you must lease space for your Property Inspection Business. Generally, this will require that you pay first and last month's rent, plus a security deposit, at the time you sign the lease. The typical office for a Property Inspection Business is located in commercial areas or strip centers containing approximately 1000 square feet. In most cases, the terms and conditions of

all agreements relating to the purchase, lease, and alteration of the office will be negotiated solely by you.

- (4) Equipment. You must purchase miscellaneous tools such as ladders and meters to operate your Property Inspection Business. We provide you with a \$500 credit towards the purchase of equipment.
- (5) Computer Equipment. We provide you with a laptop, a license of Microsoft Office, a license for Microsoft Windows, and a license for our proprietary report writing software as part of your initial franchise fee. We also reimburse you for your first 12 months use of our Marketing and Office Management System and your first year's license maintenance fee for the report writing software. Additional computer equipment you will need to purchase may include a digital camera and a printer. If you already own these items your cost will be \$0.00. Refer to Item 11 for more information.
- (6) Marketing Supplies. You should plan to spend a minimum of \$1,000 on your initial purchase of Marketing Supplies. An initial supply of business stationery and apparel is included with your Initial Franchise Fee.
- (7) Initial Training - Travel and Lodging Expenses. We provide training in Phoenix, Arizona, or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all attendees of the initial training program. You may also be required to pay training fees. See ITEMS 6 and 11 of this Disclosure Document for more information on training.
- (8) Insurance Premiums. Insurance premiums will vary depending on the amounts and areas of coverage. The average annual premium costs will range between \$2,500 and \$4,000. This is only an estimate and insurance premiums may vary based on your level of experience.- It is important to have your vehicle titled in your business name, and to have a commercial auto policy in force to properly protect you.
- (9) Additional Funds. 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 three months of operations, not including any revenue generated by your Property Inspection Business. It includes payroll costs, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, and other operational expenses. These figures are estimates. You may incur additional expenses starting your 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; and competition; and sales levels reached by your Property Inspection Business during the initial period.
- (10) Additional Licensing and Membership Fees. Your state may require you to pay licensing fees associated with a Home Inspection Business. Some states may require you to perform supervised parallel home inspections. In most cases, additional fees will be required for parallel inspections. The cost of these parallel inspections may vary greatly. In addition, we may require you to obtain and maintain membership in certain preferred

trade associations such as the American Society of Home Inspectors (ASHI), the National Association of Certified Home Inspectors (NACHI) and the National Association of Home Inspectors (NAHI).

- (11) 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 Franchise. This category does not include any sales, use, or similar taxes that may be assessed by state or local authorities. You should check with your local and state governmental agencies for any taxes that may be assessed.

We have relied on over 8 years of experience in working with Property Inspection Businesses and in the property inspection industry 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 Property Inspection Business in compliance with your Franchise Agreement and the standards and specifications contained in the Inspect-It 1st confidential operations manual (“**Operations Manual**”) loaned to you by us. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual. You will have the opportunity to view the Operations Manual at our headquarters before purchasing the Franchise. The Operations Manual contains approximately 1,000 pages. The Table of Contents for the Operations Manual is attached to this Disclosure Document as **Exhibit E**.

From the establishment of the business to the on-going operation of it in this Agreement, you must purchase or lease all products, vehicles, equipment, forms, marketing materials, software, and supplies used in your Property Inspection Business in accordance with our standards and specifications and in some cases only from us or sources authorized by us. When you sign the Franchise Agreement we will make available to you our standards and specifications and a list of our authorized suppliers as part of our Operations Manual. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, customer recognition, marketing support and availability to be furnished to the public in connection with our Marks. In operating your Property Inspection Business, all equipment, vehicles, forms, marketing materials, products and supplies must conform to our standards and specifications which have been established through years of experience. In the future, we may modify our specifications for equipment, vehicles, forms, marketing materials, products and supplies, in our sole discretion. We have the right to change these standards and specifications on 30 days prior written notice to you. We estimate that the cost of purchases from designated or approved suppliers’ represents approximately 5-10% of your total purchases in connection with the establishment of your Property Inspection Business and approximately 10% of your ongoing expenses.

Franchisees operating a Property Inspection Business must use certain proprietary third-party software programs that have been customized for the Business, at Franchisee’s expense. The right to use such software is granted via the Franchise Agreement. We may use other suppliers of computer software in the future. You may use the software only on computer equipment approved by us in writing (“**Computer System**”). You may not contract with alternative software suppliers. We will not derive revenue or other material considerations from the software supplier and we do not negotiate purchase agreements with software suppliers.

If you want to purchase or lease any products, equipment, supplies, forms, marketing, supplies, marketing or services from a supplier, other than from us or our authorized supplier, you must first notify us and obtain our written approval. We will provide you with our specifications and standards for approval. Each request must be in writing and contain the products or service’s name, manufacturer and supplier, along with its specifications, cost and uses. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether those items meet our specifications. We

may also require that our representatives be allowed to inspect the facilities of the proposed supplier or manufacturer. We may charge you a fee to evaluate the product or service or to conduct the inspection. (See ITEM 6). The fee to evaluate the product or service or to conduct the services will not exceed the reasonable cost of the inspection and the actual cost of the tests. We will review your request and we will respond in writing within 60 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. In some situations where products may require testing by an independent entity, the request may not be approved or rejected within 60 days. In those situations, we will advise you of any delay and the approximate time for notification of authorization or rejection of the request. If a product or service is accepted, we will include it in our authorized supplier list and make it available to all of our Franchisees. If we do not authorize a product, service, or supplier, you are prohibited from using it in your Property Inspection Business. We may, at our option, re-inspect the facilities or products or service of any approved supplier and revoke our approval upon the supplier's failure to meet any of our then current minimum standards and specifications.

You may offer other services ("**Collateral Services**") from your Property Inspection Business, but you must obtain our prior written approval to do so. We will respond to requests for approval to offer Collateral Services within 30 days from the date the request is received. Our failure to respond in a timely manner will be deemed a denial of your request. Collateral Services means any other business or service that is not directly or indirectly in competition with us, but is in some way related to our industry. If you offer Collateral Services at your Property Inspection Business, we reserve the right to require you to pay Royalties on those Collateral Services. As of the date of this Disclosure Document, you must include those Collateral Services in your monthly reporting. You must also have a separate business license, carry separate insurance coverage, in amounts designated by us in our discretion, for any Collateral Services we approve to be offered from your Property Inspection Business, and you must indemnify and defend us in any legal action brought against us as the result of your Collateral Services.

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 for the benefit of our Franchisees and we reserve the right to receive rebates on volume discounts from our Franchisees' purchase of any products, supplies, equipment and materials from our suppliers. However, we have received no profit from these purchase arrangements with suppliers and distributors as of the date of this Disclosure Document. Additionally, no officer owns an interest in any approved suppliers. We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 4.1	Item 11
b. Pre-opening purchases & leases	Sections 8.2, 9	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 3, 4.1, 8.2	Items 6, 7 and 11
d. Initial and ongoing training	Section 8.2	Item 11
e. Opening	Section 3.1	Item 11
f. Fees	Sections 5, 6.3, 6.4, 6.9, 11, 17.4	Items 5 and 6
g. Compliance with standards and policies/Operation Manual	Sections 4.4, 8.2, 9, 10	Item 11
h. Trademarks and proprietary information	Sections 10, 14	Items 13 and 14
i. Restrictions on products/services offered	Section 9	Items 13, 14 and 16
j. Warranty and customer service requirements	Section 8.2	
k. Territorial development and sales quotas	Section 4.1	Item 12
l. Ongoing product/service purchases	Sections 8.2, 8.4, 9	Item 8
m. Maintenance, appearance and remodeling requirements	Section 8.2	Item 11
n. Insurance	Section 12.1	Items 7 and 8
o. Advertising	Sections 8.2, 11	Items 6 and 11
p. Indemnification	Section 12.2	Item 6
q. Owner's participation/management/staffing	Section 8.7	Items 11 and 15
r. Records/reports	Section 6.1	Items 6 and 11
s. Inspections/Audits	Sections 6.2, 6.8	Items 6 and 11
t. Transfer	Section 15	Item 17
u. Renewal	Section 3	Item 17
v. Post-termination obligations	Sections 14.5, 14.6	Item 17
w. Non-competition covenants	Sections 14.2, 14.3, 14.4, 14.6	Item 17
x. Dispute resolution	Section 21	Item 17
y. Owners/Shareholders personal guarantee	Attachment B	Item 15

ITEM 10

FINANCING

Inspect-It 1st does not offer direct or indirect financing. Inspect-It 1st does not guarantee your note, lease, or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Inspect-It 1st is not required to provide you with any assistance:

Pre-Opening Obligations

Before the opening of your Property Inspection Business, we (or our designee) are required by the Franchise Agreement to provide the following assistance and services to you:

1. We provide you with our standards and specifications for the vehicle signs, equipment, vehicles, forms, products, and supplies. (See Section 7.3, Franchise Agreement).
2. We loan you one copy of our confidential and proprietary Operations Manual and Marketing Manual (See Section 7.3, Franchise Agreement). The table of contents for each of the Manuals is attached as **Exhibit E**.
3. We provide an initial training program for up to two people at a location chosen by us. (See Section 7.3, Franchise Agreement). There are no separate charges for these services*.
4. We provide a peer reviewer to review up to 10 practice inspection reports. (See Section 7.3, Franchise Agreement). There are no separate charges for these services*.
5. We provide you with advice and consultation by telephone during normal business hours, as we believe is necessary, regarding the opening of your Property Inspection Business. (See Section 7.3, Franchise Agreement). There are no separate charges for these services.
6. We may provide such pre-opening assistance just prior to and during the first week of your Property Inspection Business operations in a manner we deem appropriate in our sole determination. (See Section 7.3, Franchise Agreement).
7. We provide you with a non-exclusive license to use our report writing software, including reimbursement for the first year's maintenance fee. (See Section 7.3, Franchise Agreement).
8. We provide you with access to our web-based Marketing and Office Management software, and reimburse you the first 12 months expense of using the software.
9. We provide you with a laptop, installed with Microsoft Windows, and Microsoft Office*.
10. We provide you with a branded landing page, website, and email address.
11. We provide you with an equipment purchasing credit in the amount of \$500*.

12. We provide you with an infrared camera, the make and model of which is at our discretion.*

13. We provide you with a \$1,000 additional training credit to use towards additional infrared training in your local market and/or online, subject to our approval.*

14. We provide you with an initial supply of business stationery and apparel.

15. We provide you with an initial database of up to 500 realtors in your market; an email campaign to those realtors; and a direct mailer to those realtors.

**These items will not be provided if you are already an owner of an established property inspection business, and meet certain other requirements.*

Continuing Obligations

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

1. We provide you advice and consultation by telephone during normal business hours as we believe is necessary, regarding the continuing operation and management of your Property Inspection Business. (See Section 7.3, Franchise Agreement). There are no separate charges for these services.

2. We may formulate and make available to you marketing and promotional programs. (See Section 11, Franchise Agreement).

3. We assign you a mentor who will be available by telephone during business hours to answer your operational questions during the first 8 weeks of your operations (if you are already the owner of an established property inspection business, and meet certain other requirements, we will not assign you a mentor). There are no separate charges for these services. (See Section 7.3, Franchise Agreement).

4. We provide a marketing program (“ACE Marketing Program”). (See Section 7.3, Franchise Agreement).

5. If you require additional assistance beyond what is provided by us, you can request that we send a representative to provide further assistance. If we provide additional assistance at your request, we must agree in advance the charges you will pay and the length of the visit. (See Section 7.4, Franchise Agreement). The estimated charge for the additional assistance is \$50 per hour plus travel expenses. The estimated range of costs for travel is \$500 - \$1,000.

6. We may choose to provide you with continuing national, regional or local workshops and seminars which we hold in our discretion. (See Section 7.3, Franchise Agreement).

7. We provide training for your employees who provide property inspection services and/or marketing services for your Property Inspection Business. (See Section 7.3, Franchise Agreement).

Marketing

You must contribute to our marketing fund (“**Marketing Fund**”) by paying us a national marketing fee (“**Marketing Fund Fee**”) that is the greater of 2% of your Gross Revenues or \$50.00 each month. The Marketing Fund Fee will be due after the Grace Period expires or is waived. The Marketing Fund Fee collected will be payable on the tenth of each month. Unless required by law, we will not be required to deposit the Marketing Fund Fee in a separate bank account, commercial account or savings account and we may place the Marketing Fund Fee in our general accounts. We will not require company-owned Property Inspection Businesses, if in existence, to contribute to the Marketing Fund. The Marketing Fund will be administered by us, in our discretion, and may use a professional marketing agency or media buyer to assist us. Your contribution to the Marketing Fund will be in addition to all other marketing fund fees set out in this ITEM 11.

We may reimburse ourselves, our authorized representatives or our Affiliates from the Marketing 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 Marketing Fund. We assume no other direct or indirect liability or obligation to collect amounts due to the Marketing Fund or to maintain, direct or administer the Marketing 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 Marketing Fund on any terms we deem reasonable. Since we do not have this fund audited, audited financial statements are not available to you. Upon request we will make available to you an annual accounting for the Marketing Fund that shows how the Marketing Fund proceeds have been spent for the previous year.

We may use the Marketing Fund for the creation, production or placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; website creation, maintenance and promotion, administering multi-regional marketing programs, direct mail and other media marketing; in-house staff assistance and related administrative costs; local promotions; supporting public relations; market research; and other advertising and marketing activities, including participating at trade shows. Marketing may be placed in local, regional or national media of our choice, including print, direct mail, radio or television. We do not guarantee that marketing expenditures from the Marketing Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all.

In our fiscal year ended June 30, 2011, 57% of the Marketing Fund expenditures were spent on internet marketing, 29% on administration of the Marketing Fund, 12% on promotional items, and 2% on other uses. Other uses include marketing education, warehousing fees, and subscription services. We did not use the Marketing Fund to solicit the sale of franchises during our last fiscal year, nor will we use Marketing Fund monies to solicit prospective franchisees in

our current fiscal year. Neither we nor our authorized representatives or Affiliates receive payments for providing goods or services to the Marketing Fund, except for reimbursement of expenses as described above.

You may create your own marketing and promotional materials; however, we must approve all marketing and promotions created by you in advance before you use them and must comply with our graphic standards. We will review your request and we will respond in writing within 10 working days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. 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 items to be sold without our prior written approval. Except as described above, we are not obligated to spend any amount on marketing in the geographical area where you are or will be located.

Computer Systems

You must use certain software and related materials developed exclusively for us. You will be provided with a laptop to use for your Property Inspection Business that has our report writing software, Microsoft Windows, and Microsoft Office installed (If you are already the owner of an established property inspection business, and meet certain other requirements, you will only be provided with our report writing software). You will also be required to purchase or have in your possession a photo printer and digital camera. The specifications for the Computer System that is required are outlined in the list below:

Hardware

PC or Laptop (we provide you with a laptop)

- Intel-based Pentium 4 – 1.5 GHZ or greater processor
 - 512 Megabytes RAM
 - CD/DVD-RW drive
 - 40 GB or higher Hard Drive
 - 19 Inch Monitor (similar to a NEC MultiSync FE990) would suffice
- ❖ For a buying guide for PCs with a similar setup to that above go to http://www.hp.com/sbso/buyguides/pg_desktops.html

Printer

- Printer comparable to a Hewlett Packard InkJet 2230 or LaserJet 1000.
- For a buying guide for printers with a similar setup to that above go to http://www.hp.com/sbso/buyguides/pg_printers.html

Software

Report Writing Software (provided)

- You are required to use our proprietary Report Writing Software, and to maintain your license ongoing. We will pay your first year's license maintenance fee.

Marketing and Office Management Software (provided)

- You are required to use our web-based Marketing and Office Management software platform, the charge for which is \$3 or less per inspection. We reimburse you the first year's expense for using this system.

Operating System (provided)

- The latest version of Microsoft Windows. For more information on the Microsoft Windows line of operating systems go to <http://www.microsoft.com/windows/default.msp>

Internet Browser

- The latest version of Microsoft Internet Explorer. Can be downloaded for free from www.microsoft.com/windows/internet-explorer/default.aspx

Office Productivity (provided)

- **Word Processing**
 - The latest version of Microsoft Word
- **Spreadsheet**
 - The latest version of Microsoft Excel
- For the latest information related to the Microsoft Office family of products go to: <http://www.microsoft.com/office/>

Utilities

- **Readers**
 - Adobe Acrobat Reader. Latest version can be downloaded for free from <http://www.adobe.com/products/acrobat/readstep2.html>
- **Virus Protection**
 - eTrust InoculateIT 7.0 or higher. For more information go to <http://www3.ca.com/Solutions/Overview.asp?ID=156&TYPE=S>
- **Backup**
 - BrightStor ARCserve Backup v9 or higher. For more information go to <http://www3.ca.com/Solutions/ProductFamily.asp?ID=115>
- **Compression**
 - Winzip. Can be downloaded for free from <http://www.winzip.com>

Internet Connectivity

- It is highly recommended that an investment be made in one of the following high-speed Internet options if available:
 - T1(www.xo.com) – if available in your area)
 - DSL(check with your local phone provider)
 - Cable(check with your local cable provider)
 - Satellite(www.directway.com)
- If high-speed is not an option in your area and you must use a dial-up provider it is highly recommended that you *do not* use AOL as your provider.

We may revise our specifications at any time in our discretion.

You are responsible for the ongoing maintenance, repairs or upgrades required for your computer system. We estimate the annual costs to be nominal. 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.

Site Selection

You must select the site for the Property Inspection Business (“**Center of Operations**”) subject to our approval. The Center of Operations you select may be located in your home or in commercial office space. If you elect to operate your Property Inspection Business from your home, your home office must be at least 10’ x 10’ and be a separate room (closed off from the rest of the living area) dedicated entirely to operating your Property Inspection Business. If you elect to operate your Property Inspection Business in a commercial office space, your office must be at least 10’ x 10’ and be an independent, separate space dedicated entirely to operating your Property Inspection Business. We have the right to inspect your Center of Operations or require that you submit photos of your Center of Operations for our approval. If we do not approve your Center of Operations you will need to locate another Center of Operations for your Property Inspection Business and receive our acceptance of the alternate Center of Operations. We will continue to review your selection of Center of Operations until one is approved by us.

You may not relocate the Center of Operations without our prior written consent. Although your Center of Operations is subject to our approval, you have the ultimate responsibility in choosing, obtaining and developing the Center of Operations for your Property Inspection Business. Our consultation and approval is not a promise or guarantee that the Property Inspection Business operated at your Center of Operations 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 Property Inspection Business is approximately one to three months. Some factors which may affect this timing are the completion of the initial training program, your ability to locate an acceptable Center of Operations, the time to acquire the Center of Operations through lease negotiations, your ability to secure any necessary financing, your ability to comply with state and local inspection and business licensing and certification requirements, and the timing of the delivery and installation of equipment, supplies and products.

We recommend that you complete our initial program training before applying for any applicable state exams.

Training Programs

Before the opening of your Property Inspection Business, you will complete an initial training program within the first three months after signing the Franchise Agreement. We provide this initial training program conducted at the times and locations designated by us. This training is usually conducted at our corporate headquarters located in Phoenix, Arizona, but the training course may be held elsewhere in the future in our discretion. The initial training program lasts 10 business days and consists of classroom instruction, field instruction, sales and marketing instruction and corporate instruction (if you are already the owner of an established property inspection business, and meet certain other requirements, the initial training program will last 4 business days). You or the person responsible for performing property inspection services for the Property Inspection Business ("**Master Property Inspector**") must attend and successfully complete the initial training program. You will be required to pay for all airfare, lodging, meals, transportation, salaries, benefits, and incidental expenses incurred by all attendees attending the initial training program. (See ITEM 7).

You may have one additional person attend the initial training program at no charge, provided he/she is pre-registered for the same class. You will be responsible for all expenses for any additional individuals attendance; including the cost of airfare, lodging, meals, ground transportation, personal expenses, salaries, and benefits (See ITEM 6).

In addition to the introduction to infrared thermography provided during the Initial Training, you will be reimbursed up to \$1,000 for the cost of attending an additional infrared training in your local market and/or online. Your infrared training course must be approved by us in advance.

Any employees you hire to conduct property inspections must successfully complete, prior to conducting any property inspections, the ten-business day employee-training program. Two employees may attend the training program at no additional charge. For additional employees beyond two, you must prepay to us the then-current training fee, which is currently \$5,000. You will be responsible for all expenses for your employee's attendance, including the cost of airfare, lodging, meals, ground transportation, personal expenses, salaries, and benefits (See ITEM 6). The training fees may be increased, decreased or waived in our sole discretion.

Each person attending the initial training program, or employee-training program, must sign our then current Non-Disclosure and Non-Competition Agreement.

The subjects covered in the initial training program are described below:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
ASHI Standards of Practice and Code of Ethics; Communication and Professional Practice; Exteriors; Structures	8.0		Phoenix, AZ
Insulation; Interiors; Electrical; Environmental; ACT Contact Management	8.0		Phoenix, AZ
Roofing System; Plumbing System	8.0		Phoenix, AZ
Gas Furnaces; Oil Furnaces; Hot Water Boilers; Other aspects of Heating, including Chimneys, Fireplaces and Stoves; Air Conditioning and Heat Pumps	8.0		Phoenix, AZ
Field Inspection; Report Writing*	2.0	6.0	Phoenix, AZ
Tool Usage; Pool and Spa Inspection and Reporting	2.0	2.0	Phoenix, AZ
Software and Report Writing*	12.0		Phoenix, AZ
Field Inspection; Report Writing*	2.0	6.0	Phoenix, AZ
Marketing*	8.0		Phoenix, AZ
Business Operations, Marketing and Infrared Thermography Applications	8.0		Phoenix, AZ
Total	66 Hours	14 Hours	

**If you are already the owner of an established property inspection business, and meet*

certain other requirements, your initial training will consist of these subjects.

The Franchise Operations Manual and Marketing Manual are the main sources of instructional material. Mr. Elson leads our training program and is disclosed in Item 2. The additional instructors are tenured franchisees with first-hand experience and expertise pertaining to each topic. Below is a brief description about each instructor:

Roger D. Skaggs

Roger Skaggs has owned and operated an Inspect-It 1st property inspection business since 1999. Since March 2002, Mr. Skaggs has acted as a property inspection and software trainer for SIPI, (Southwest Institute of Property Inspection). He also provides continuing education through SIPI for the veteran inspectors as well. Prior to providing property inspection training for Inspect-It 1st, Mr. Skaggs was a shop foreman and mechanic for Ryder Transportation Resources in Phoenix Arizona for 13 years. Mr. Skaggs currently serves on the board of directors for the Arizona Chapter of the American Society of Home Inspectors (ASHI). He is certified by ASHI, SIPI, and the Arizona Board of Technical Registration for home inspections.

Martin Lenich

Martin Lenich began operating his Inspect-It 1st property inspection business in March 2004. Mr. Lenich has been a faculty member of SIPI since 2005. Prior to purchasing his Inspect-It 1st business, Mr. Lenich was the Process Equipment Installation Manager for Industrial Design & Construction (a subsidiary of CH2M Hill) where he supervised 150 engineers, designers and drafters. He is certified by ASHI, SIPI, and the Arizona Board of Technical Registration for home inspections.

The training program must be completed to the Franchisor's satisfaction.

We may conduct seminars, conferences or continuing development programs for the benefit of all franchisees. We may, in the future, require you, your Master Property Inspector and/or personnel to participate in mandatory refresher or additional training programs to train you and your employees on optional services and to discuss personnel training, performance standards, marketing programs, merchandising procedures and other appropriate subjects. These mandatory training programs generally will be no longer than one or two days in duration. We reserve the right to charge you a fee to attend these programs. They will be held not more frequently than once a year at locations within the United States that we will specify. You must pay for your travel and living expenses incurred in attending any mandatory or voluntary seminar, Conference or training program. If you or your Master Property Inspector fails to attend a mandatory annual conference, you may be required to pay the conference fee (if any), and you will be required to pay for and complete equivalent training provided at the annual conference.

ITEM 12

TERRITORY

We designate a specific location for your office (“Center of Operations”) and provide you with a designated territory (“Authorized Territory”) to operate your Property Inspection Business. Your territory will consist of contiguous zip codes within a single state unless otherwise approved in writing by us, and be based upon an evaluation of demographic and transactional data available from the U.S. Census Bureau or other statistical sources. Your territory will have up to 450,000 people in it. We reserve the right to change, modify, or eliminate our methodology for determining population in our sole discretion.

Subject to our approval, you may establish your Center of Operations anywhere within your Authorized Territory. You must operate your Property Inspection Business at the specific Center of Operations approved by us. You cannot move your Center of Operations without our prior written approval. Our approval of your Center of Operations does not guarantee the success of your Property Inspection Business.

So long as you are in compliance with your Franchise Agreement, we will not operate a Property Inspection Business under the name “Inspect-It 1st” in your territory, nor will we grant another person an inspection franchise under the name “Inspect-It 1st” within your territory. However, we do have the right to operate and/or franchise any business within and outside your territory that does not use the Marks, even if that business competes for customers within your territory.

Continuation of your franchise within your Authorized Territory is dependent upon attaining, after the Grace Period, Gross Revenue of at least \$30,000 within the first 12 months of signing your Franchise Agreement; \$40,000 during the second 12 months; \$50,000 during the third 12 months; \$60,000 during the fourth 12 months; and \$80,000 during the fifth 12 months and for each 12 months thereafter during the remaining term. Failure to attain these levels of Gross Revenues during any of these 12 month periods authorizes us to terminate your Franchise Agreement.

Customers from your Authorized Territory may purchase services from other Property Inspection Business operators. You may market your Property Inspection Business to real estate agents and brokers whose offices are located outside of your Authorized Territory but who conduct a significant amount of real estate sales and marketing activities within your Authorized Territory. You may also provide property inspection services or sell products outside of your Authorized Territory if the customer or realtor is referred to you by a realtor, homeowner, property owner, customer, mortgage lender, or broker to whom you have provided services or sold products in your Authorized Territory. Other franchisees have these same rights, and therefore your territory is not exclusive.

If we engage in electronic commerce through any other computer network site or sell through any other alternative distribution channel, we will offer any order for services in your

Authorized Territory to you at the price we establish. If you choose not to fulfill the order at the price we establish or are unable to do so, then we, one of our affiliates or a third party we designate (including another Inspect-It 1st franchise) may fulfill the order, and you will be entitled to no compensation in connection with that order.

We reserve the right, among others:

1. to franchise Property Inspection Businesses at any location outside of your Authorized Territory regardless of the proximity to your Center of Operations;
2. to own or operate Property Inspection Businesses at any location outside of your Authorized Territory regardless of the proximity to your Center of Operations or population count;
3. to use the Marks and the System to sell any products and services over the Internet. We exclusively reserve the right to use the Marks on the Internet as a channel of distribution and you may not independently market on the Internet or conduct e-commerce using our Marks;
4. 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 property inspection service business, at any location, including within the Authorized Territory, which may be the same as, similar to or different from the Property Inspection Business operated by you;
5. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Property Inspection Business, wherever located; to implement multi-area marketing programs which may allow us or others to solicit or provide services 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 “INSPECT-IT 1st[®]”, 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 Property Inspection Business. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator of the Property Inspection Business and you shall use only the appropriate and authorized Marks as indicated by us and only on approved products, materials and services.

We have registered the following principal Mark with the United States Patent and Trademark Office (“USPTO”) on the Principal Register:

Mark	Application or Registration Date	Status	Serial No.	Application/ Registration No.
INSPECT-IT 1ST	Registered September 19, 2000	Registered Live	75/574,191	2,388,517
BEFORE YOU BUY OR SELL, INSPECT-IT 1ST	Registered October 14, 2008	Registered Live	76/687,539	3,514,600

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, except as we license to you. You must get our prior written approval of your company name before you file any registration documents. 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.

We have filed all required affidavits. 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 will take the action necessary, in our sole discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We may, but are not required to, participate in the defense of any legal action that you are involved in because of your use of the Mark.

You must modify or discontinue the use of a Mark if we modify or discontinue its use at your expense. You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business of the System.

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 Property Inspection 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 Property Inspection Business name.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual and the Marketing Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the Marketing Manual and the limitations of the use of it by you and your employees are described in ITEM 11. The designs contained in the Marks, the layout of our marketing materials and reports, as well as any other writings or 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 Marketing Manual, the Marks, the marketing materials, reports and 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 ("**Copyright Works**") in connection with your operation of your Property Inspection Business, but such copyrights remain our sole property.

You must notify us immediately 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 Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyright Works, which may include payment of reasonable costs associated with the action.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Marks. To receive reimbursement you must have notified us within the required timeframe upon your learning of the use of identical or substantially similar language or visual image, and you must have used the Copyright Works only per the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so. You must not directly or indirectly contest our rights to any of our Copyright Works that are part of our business or the System.

Our Operations Manual, Marketing Manual, electronic information and communications, sales and promotional materials, the development and use of our System, and other related materials are proprietary and confidential and are considered to be our property to be used by you only as described in the Franchise Agreement, the Operations Manual, or the Marketing Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our information and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and confidential information. We reserve the right to convert the Operations Manual or Marketing Manual into an exclusively electronic format and to require you to access the document through the Internet or through an intranet created and supported by us.

No patents are material to us at this time.

We own all records with respect to the customers, names and addresses of realtors/brokers, lenders, agents, suppliers, and other service providers of, and related in any way to, your Property Inspection Business. We also own all products, services, inventions, improvements, derivatives, adaptations, developments, modifications and enhancements that you or your employees make to our System or develop in relation to our System or the Property Inspection Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, all customer names, addresses, phone numbers, e-mail addresses, and purchase records. 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, in our sole discretion. (See Section 6.8 of the Franchise Agreement).

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You, your managing shareholder or partner, or your Master Property Inspector must participate personally in the direct operation of your Property Inspection Business and must devote your full time and best efforts to the management and operation of the Property Inspection Business. If the Master Property Inspector is terminated, you must either be responsible for the on-site supervision of the Property Inspection Business or designate a new Master Property Inspector. You, or the new Master Property Inspector must successfully complete our initial training program, at your cost as described in ITEM 11 prior to conducting any property inspections.

As a legal or business entity, we require that each of your officers, directors, partners, shareholders or members execute our standard Guaranty and Assumption of Franchisee's Obligations. (see Franchise Agreement **Attachment B**).

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 Property Inspection Business. The success or failure of the franchise as a business enterprise is dependent 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.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must refrain from using or permitting the use of your Property Inspection Business for any other purpose or activity at any time, including the offering of Collateral Services, without first obtaining our written consent.

You must sell or offer for sale only these 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. There is no limit to us requiring changes. 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 prices for use with multi-area marketing programs and special price promotions.

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 3.1	Term is 10 years.
b. Renewal or extension of the term	Section 3	If you are not in default or been in default more than 2 times in the 24 months prior to the expiration of the Term and you satisfy certain conditions, you may renew for an additional 10 year Term. The contract form may have materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	Section 3	Sign a new Franchise Agreement within 30 days of receipt, sign a release, and provide us with at least 6 months and no more than 9 months prior notice of your intent to renew.
d. Termination by franchisee	Section 17.1	You can terminate only if we fail to cure a material default or if you and we mutually agree to terminate. You must provide 30 days advance written notice.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	Sections 17.2, 17.3	We can terminate if you commit any one of several violations.
g. "Cause" defined – curable defaults	Section 17.3	You have 30 days to cure certain violations, including failure to comply with the Franchise Agreement, System, Manual, non-payment of fees and other obligations, and failure to comply with federal, state and local laws.
h. "Cause" defined – non-curable defaults	Sections 17.2	Non-curable defaults include abandonment, bankruptcy, insolvency or reorganization, conviction of a felony, non-approved transfer, loss of possession, trademark misuse, and failure to attain minimum Gross Revenue requirements of \$30,000 during the first 12 months of signing the Franchise Agreement (after the Grace Period); \$40,000 during the second 12 months; \$50,000 during the third 12 months; \$60,000 during the fourth 12 months; and \$80,000 during the fifth 12 months and for each 12 months thereafter during the remaining term.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 17.5, 17.6	<p>Obligations include complete de-identification, non-competition, payment of amounts due, and removal and return of licensed Software.</p> <p>Upon the termination of the Franchise Agreement in accordance with the terms of the Agreement, except in the case of a transfer, you shall pay to us, within seven (7) days of the date of termination, as liquidated damages for the premature termination of the Franchise Agreement and not as a penalty, an amount equal to 3½ times the royalty fee payable to us during the twelve (12) months prior to the effective date of the termination. If you have been operational for less than twelve (12) months you shall pay an amount equal to 3½ times the royalty fee payable to us for the entire period the Franchised Business has been open for business.</p> <p>You must return to us in good working condition (to be determined by us, and if not in good working condition, you must pay us the fair market value, as determined by us) the infrared camera and any applicable accessories.</p>
j. Assignment of contract by franchisor	Sections 15.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 15.2, 15.3	Includes transfer of interest in Franchise Agreement, franchise, all or a substantial portion of the assets of your Property Inspection Business or change in entity form.
l. Franchisor approval of transfer by franchisee	Section 15.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 15.5	New franchise owner qualifies, no existing defaults, transfer fee paid, release signed by you, the execution of a new Franchise Agreement, training arranged and transferee's guaranty and Non Disclosure and Non Competition Agreement executed.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16	We can match any offer for your Property Inspection Business.
o. Inspect-It 1st's option to purchase franchisee's business	Section 16.1	Upon termination or expiration of the Franchise Agreement, we have an option to buy the Property Inspection Business and all furniture, equipment, products, accounts, and other business assets at the current fair market value.

Provision	Section in Franchise Agreement	Summary
p. Death or disability of franchisee	Section 15.7	We have the right to buy the Property Inspection Business. If we do not buy the Business, it must be transferred to an approved next of kin or legatees within 30 days of our notice that we will not be purchasing the Business. Franchisor has the right to immediately begin operating the Property Inspection Business until approval of next of kin or legatee completes requirements in the Franchise Agreement or we complete the purchase of the Business.
q. Non-competition covenants during the term of the franchise	Section 14.2	No involvement in any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.3	No involvement in a competitive business for two years within your Authorized Territory or any other franchisee's Authorized Territory; a 50-mile radius of your Authorized Territory or another franchisee's Authorized Territory; or within a 50-mile radius of a company-owned Property Inspection Business.
s. Modification of the agreement	Section 19.19	Operations Manual and Marketing Manual are subject to change. Otherwise no modifications unless in writing and signed by both parties.
t. Integration/merger clause	Section 19.11	Operations Manual, Marketing Manual, written related agreements, the State Addendum, and the Franchise Agreement supersedes all prior agreements (subject to state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims, all disputes must be arbitrated.
v. Choice of forum	Section 20.1	Subject to the Ohio state law, except as provided in the State Specific Addendum. <u>See Exhibit G.</u>
w. Choice of law	Section 20.1	Subject to the Ohio state law, except as provided in the State Specific Addendum. <u>See Exhibit G.</u>

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting our President, John M. Davies, c/o Inspect-It 1st, LLC, 7100 E. Pleasant Valley Rd., Ste. 300, Independence, OH 44131, (877) 392-6278, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2010 to 2012

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2010	49	36	-13
	2011	36	29	7
	2012	29	28	-1
Company Owned	2010	0	0	0
	2011	0	0	0
	2012	0	0	0
Total Outlets	2010	49	36	-13
	2011	36	29	7
	2012	29	28	-1

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For years 2010 to 2012

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Arizona	2010	0
	2011	0
	2012	0
Florida	2010	0
	2011	0
	2012	0
Kansas	2010	0
	2011	0
	2012	0
Montana	2010	0
	2011	0
	2012	0
Total	2010	0
	2011	0
	2012	0

Table No. 3

Status of Franchised Outlets
For years 2010 to 2012

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations- Other Reasons	Col. 9 Outlets At End of the Year
Alabama	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
Arizona	2010	6	0	0	0	0	0	6
	2011	6	0	1	0	0	0	5
	2012	5	0	0	0	0	0	5
California	2010	2	0	0	0	0	0	2
	2011	2	0	1	0	0	0	1
	2012	1	0	0	0	0	0	1
Colorado	2010	2	0	0	0	0	0	2
	2011	2	0	1	0	0	0	1
	2012	1	0	0	0	0	0	1
District of Columbia	2010	2	0	1	0	0	0	1
	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
Florida	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Georgia	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
Idaho	2010	1	0	0	0	0	0	1
	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
Illinois	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
Indiana	2010	2	0	1	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Iowa	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations- Other Reasons	Col. 9 Outlets At End of the Year
Kansas	2010	2	0	1	0	0	0	1
	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
Kentucky	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
Maine	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Maryland	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Michigan	2010	2	0	2	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
Minnesota	2010	1	0	1	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
Missouri	2010	1	0	0	0	0	0	1
	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	0	2
Montana	2010	3	1	2	0	0	0	2
	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
Nevada	2010	2	0	0	0	0	0	2
	2011	2	0	1	0	0	0	1
	2012	1	0	0	0	0	0	1
Ohio	2010	2	0	1	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
Oregon	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Pennsylvania	2010	5	0	1	0	0	0	4
	2011	4	0	1	0	0	0	3
	2012	3	3	0	0	0	0	6
South Carolina	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets At End of the Year
	2012	0	0	0	0	0	0	0
Texas	2010	3	0	0	0	0	2	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Utah	2010	4	0	2	0	0	0	2
	2011	2	0	0	0	0	0	2
	2012	2	0	1	0	0	0	1
Virginia	2010	1	0	0	0	0	0	1
	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
Total	2010	49	1	12	0	0	2	36
	2011	36	2	9	0	0	0	29
	2012	29	3	4	0	0	0	28

Table No. 4

Status of Company-Owned Outlets
For years 2010 to 2012

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
ALL	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0

Table No. 5

Projected Openings as of June 30, 2012

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company – Owned Outlets in the Next Fiscal Year
California	1	2	0
Colorado	0	1	0
Florida	0	3	0
Georgia	0	1	0
Illinois	0	0	0
Maryland	0	0	0
Michigan	0	1	0
Montana	0	0	0
Nebraska	0	1	0
Nevada	0	1	0
Ohio	0	2	0
Pennsylvania	0	4	0
Tennessee	0	1	0
Texas	1	0	0
Utah	0	1	0
Wyoming	0	0	0
TOTALS	1	18	0

Exhibit F lists all the names of the current franchisees and the addresses and telephone numbers of their outlets as of June 30, 2012.

Exhibit L lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. Also, there are no trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21

FINANCIAL STATEMENTS

Attached hereto as EXHIBIT D are the audited Consolidated Financial Statements of Merrymeeting, Inc. and its subsidiaries for the years ending June 30, 2012, 2011, and 2010. Merrymeeting has absolutely and unconditionally guaranteed to assume our duties and obligations under the Franchise Agreement should we become unable to perform these duties and obligations. A copy of Merrymeeting's guarantee is in Exhibit D.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit C: Franchise Agreement (including Attachments)

Exhibit G: State Addendum

Exhibit H: Nondisclosure and Noncompetition Agreement

Exhibit I: Termination Agreement